JIU/REP/2018/3*

REVIEW OF MANAGEMENT AND ADMINISTRATION IN THE UNITED NATIONS OFFICE FOR PROJECT SERVICES (UNOPS)

Prepared by

Gönke Roscher

Joint Inspection Unit

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United Nations

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EXECUTIVE SUMMARY

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The present review of management and administration in the United Nations Office for Project Services (UNOPS) is one of a series of reviews of participating organizations undertaken by the Joint Inspection Unit (JIU). In 1998, the Unit issued a report on the broader engagement of UNOPS with organizations of the United Nations system to enhance effective cooperation by taking advantage of divisions of labour and complementarities. Some of the findings of that report are still valid and were taken into account as appropriate.

This review undertook to determine, as systematically and objectively as possible, the efficiency and effectiveness of policies and procedures in the management and administration of UNOPS. Its findings and recommendations are intended to support the member States and the executive management in decision-making to improve the organizational framework and related practices and thus attaining the Office's objectives. The Inspector makes three formal recommendations: one addressed to the Executive Director and two to the Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services. The formal recommendations are complemented by informal recommendations (appearing in bold in the narrative). The present report has been prepared in conformity with the Unit's internal standards, guidelines and working procedures. Comments from UNOPS management were taken into consideration in the final report.

As a separate and identifiable entity of the United Nations, UNOPS is governed by the rules and regulations of the United Nations. As already emphasized by JIU in 1998, UNOPS is a unique entity among the organizations of the United Nations system, with a self-financing nature and no mandate other than the delivery of services to partners within and outside the United Nations system. Against this background, JIU described UNOPS as a business-like entity that derives its principles from the Charter of the United Nations and its operational methodologies from the business world. Its specific features force it to continuously seek to improve its efficiency and acquire new business.

Over the past 20 years, UNOPS has undertaken successive realignments of its structure and business approach to adapt to the needs of its partners, inside and outside the United Nations system, and to the requirements of the changing environment, in particular to support the mandates and goals of its partners in implementing the 2030 Agenda for Sustainable Development. In this context, in 2016, UNOPS initiated a major management reform programme that introduced new organizational principles and that was executed through a Governance, Risk and Compliance initiative. The reform programme resulted in a new legislative framework, a revised internal governance model and a new organizational structure. Given the results as shown in this report, these initiatives can be considered significant improvements.

The present review confirms the specific culture of the Office, which has a high degree of flexibility and a strong business orientation while at the same time striving to add value to its partners' activities. The increase in total project delivery, more specifically the net surplus over past years, and the growing number of clients, reflect the success of this model.

Findings and recommendations

The review identified a well-established and comprehensive oversight framework in place. The Internal Audit and Investigations Group generally adheres to professional standards and has the required independence. Its work is complemented by external oversight mechanisms such as the Audit Advisory Committee. The Committee was created as an independent body with the broad mandate of advising the Executive Director on oversight, financial management and reporting, internal audit and investigation, external audit, risk management, and systems of internal control and accountability. As stated by JIU in previous reports, oversight committees play a critical role in the United Nations system in assisting executive heads and governing bodies in strengthening oversight. The review of the terms of reference of the Audit Advisory Committee showed, however, that the Committee does not fully correspond to the requirements of leading practices and good governance as established by the Institute of Internal Auditors and recommended by JIU. There are several differences in the Committee's terms of reference compared with those of other, similar committees in the United Nations system, in particular with regard to the Committee's mandate, independence and frequency of self-assessment, and the procedures for the selection and appointment of its members. Against this background, the Inspector recommends that the Executive Board adopt revised terms of reference for the Committee aligned with good practices and established standards, which are to be prepared by the Executive Director (**recommendation 1**).

Ethical standards and integrity are crucial elements of the United Nations accountability framework. The UNOPS ethics function was established in 2009 in line with the provisions of the bulletin on ethics principles in the separately administered organs and programmes issued by the United Nations Secretary-General. Through its own internal policies, UNOPS has made all of its personnel subject to broadly the same standards of conduct regardless of their contractual status, for the purpose of coherence and with the aim of ensuring integrity and accountability. During the review of the resources and activities of the UNOPS Ethics Office, shortcomings were identified in particular with regard to the position of the head of the office in terms of independence and the contractual modalities for the post, the process of the selection and appointment and the overall resources of the office to cover the responsibilities assigned to it. The Inspector therefore recommends that the Executive Director take appropriate measures to strengthen the ethics function, notably by establishing a full-time staff position at senior level for the head of the office (**recommendation 2**).

The UNOPS operational reserve was established in 1997 to protect the organization and its partners against risks associated with project delivery. Initially set at 4 per cent of total expenditure for the previous year, in 2013 the minimum requirement was changed to a four-month average of management expenses of the previous three years based on a comprehensive study by an external consultant commissioned by UNOPS management. The actual volume of the operational reserve has grown considerably over the past six years due to the increasing annual net surplus achieved. As a result, at the end of 2017 the total volume of the operational reserve stood at $158.6 million, with the minimum threshold being $20.7 million. Noting the work in progress, the Inspector is of the view that the status of the operational reserve should be revisited and discussed by the Executive Board at regular intervals. A more substantial threshold than currently set by the Executive Board may be required considering the level of risk related to the nature and magnitude of UNOPS engagements (**recommendation 3**).

Formal recommendations

Recommendation 1

The Executive Board should adopt, at its 2019 annual session, revised terms of reference for the Audit Advisory Committee, prepared by the Executive Director, in compliance with good practices and established standards, notably with regard to the mandate, independence and composition of the Committee and the procedures for the appointment of its members.

Recommendation 2

The Executive Director should strengthen the ethics framework, notably by: (a) establishing a full-time Ethics Officer staff position at senior level; and (b) providing additional resources in the management budget 2019/2020 to ensure a more proactive ethics function.

Recommendation 3

The Executive Board should revisit at regular intervals the contingency provisions under the UNOPS budget to determine the appropriate threshold of the mandatory operational reserve and take a decision on the UNOPS reserves portfolio, starting at the second regular session of the Executive Board in 2019.

Informal recommendations

Taking into consideration the specificities of UNOPS and its business model, the Inspector has made several informal recommendations regarding the UNOPS management framework and related practices. These relate to the future of the Policy Advisory Committee and the possibility of establishing a new committee with broader membership (paras. 18 and 19), approval of the Internal Audit and Investigations Charter by the Executive Board (para. 23), the introduction of term limits for the post of head of the Internal Audit and Investigations Group (para. 24), reinforcing the Group's capacity (paras. 30 and 34), regular review and update of the fraud prevention and detection framework (para. 38), external auditor participation in Executive Board sessions (para. 45), expediting implementation of recommendations of the Board of Auditors (para. 47), the decision on acceptance of JIU recommendations by the Executive Board (para. 48), the selection and appointment procedure of the Ethics Officer (para. 54), internal accessibility to senior leadership compacts (para. 68), periodical audits of implementation of delegation of authority (para. 78), the review, by the Internal Audit and Investigations Group and the Audit Advisory Committee, of recent organizational restructuring (para. 86), monitoring of the relationship of the Management Support Centre with other Groups (para. 87), communication on cost-recovery model (para. 97), qualification of certain positions for staff appointments (para. 119), introduction of regional criteria for assessing geographical diversity (para. 127), measures to raise awareness of modalities for staff representation (para. 140), assessment of the impact of the network of peers (para. 143), regular review of the information and communications technology (ICT) strategy (para. 146) and ICT-related investments (para. 147), redesign of the Partner Survey (para. 170) and a cautious approach to innovative investment projects (para. 175).

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ABBREVIATIONS

CEB	United Nations System Chief Executives Board for Coordination
CRS	Common Reporting Standards
GRC	Governance, Risk and Compliance
GRI	Global Reporting Initiative
ICA	individual contractor agreement
ICT	information and communications technology
IICA	international individual contractor agreement
JIU	Joint Inspection Unit
LICA	local individual contractor agreement
OECD	Organization for Economic Cooperation and Development
PQMS	Process and Quality Management System
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOPS	United Nations Office for Project Services
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme
WHO	World Health Organization

I. INTRODUCTION

1. As part of its programme of work for 2017, the Joint Inspection Unit (JIU) conducted the first review of management and administration in the United Nations Office for Project Services (UNOPS) as one of a series of similar reviews of United Nations system organizations in accordance with the revised strategic framework.[1] In 1998, the Unit issued a report on enhancing effective cooperation between the new UNOPS and United Nations system organizations by taking advantage of divisions of labour and complementarities between them for the benefit of programme countries.[2] Many of the findings of that report remain valid, especially those relating to the unique nature and key features of UNOPS, and were taken into account, where appropriate, in the present review.

A. Scope and objective

2. The present report provides an independent review of the regulatory frameworks and related practices of UNOPS management and administration, with a view to identifying areas for improvement. It focuses on issues such as governance, executive management, oversight, strategic planning and risk management, as well as financial and human resources management. In comparison with most United Nations system organizations, UNOPS has no substantive mandate for global normative policy. Instead, its mandate for implementation and its self-financing nature, which are its key features, affect various aspects of its internal management and are therefore taken into consideration. The report does not contain an assessment of the operational activities carried out by UNOPS.

3. In view of the latest internal governance and management reforms initiated by UNOPS since 2016, the present review is timely and relevant. Policies and procedures in place have been assessed to identify good practices and lessons learned but also gaps and shortcomings. Furthermore, particular attention was paid to examining the independence of key functions in the areas of integrity and accountability, such as the Internal Audit and Investigations Group, the Audit Advisory Committee and the ethics function. Personnel perceptions were taken into account where appropriate. This review highlights the good practices followed by UNOPS that may be shared with other United Nations system organizations, which may find them beneficial in the contexts of the implementation of the 2030 Agenda for Sustainable Development and the ongoing United Nations reform.

4. UNOPS executive management showed a high degree of commitment and transparency during the assessment process, since the review would make an important contribution to enhancing aspects of the organization's management and governance. The revision of the Office's legislative framework and of its global structure, initiated in 2016 and finalized while the present report was being prepared, at times presented a challenge for a comprehensive assessment of some Office-wide issues.

B. Methodology

5. The Inspector applied a range of evaluation techniques to triangulate the findings presented here and to issue well-supported conclusions and recommendations. The review was conducted from May 2017 to May 2018 and draws on information and data collected during that period. The Inspector adopted a collaborative approach whereby comments and suggestions were sought from UNOPS key partners and stakeholders during the review process. Relevant comments and additional information received from UNOPS management during the finalization of the report were also taken into account. In accordance with JIU internal standards and guidelines and the Unit's internal working procedures, the preparation of the report included:

(a) an extensive desk review and in-depth analysis of the documents and decisions of the governing bodies and of UNOPS internal documentation (e.g. operational directives and instructions, minutes of internal management committees). Other sources of information, such as the reports and recommendations prepared

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[1] A/66/34, annex I.

[2] JIU/REP/98/5: UNOPS: Broader engagement with the United Nations system organizations, Executive summary, p. iv.

by the United Nations Board of Auditors, the UNOPS Audit Advisory Committee, UNOPS Strategic Advisory Group of Experts, the European Foundation for Quality Management and other bodies, were also examined;

(b) interviews with the Executive Director and the Deputy Executive Director, 36 senior managers and other personnel in charge of corporate management functions, at headquarters (Copenhagen) and other locations (New York and Geneva offices, liaison offices and regional offices). These complemented information received through the JIU corporate questionnaire completed by UNOPS management and a questionnaire completed by the directors and heads of regional and (multi-)country offices to gather specific input from a field perspective;

(c) interviews with 25 representatives of UNOPS partners and other stakeholders, such as officials from international organizations and national Governments for which UNOPS acts as a service provider. The selection was based on various aspects, including their relationship with UNOPS and the volume of their engagements, focusing particularly on United Nations entities. The findings and conclusions of UNOPS own Partner Surveys (2015 and 2016/2017) were also taken into account;

(d) seeking the views of member States through interviews with the Chair and two of the four Vice-chairs of the Executive Board of the United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA) and UNOPS, as well as with five other Executive Board members. An online survey addressed to the members of the Executive Board did not attract sufficient attention to produce statistically relevant information;

(e) interviews with the representatives of the staff council for UNDP, UNFPA, the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and UNOPS, as well as the UNOPS personnel association in Copenhagen complemented the responses received through an online survey addressed to UNOPS personnel, which had a participation rate of 46 per cent (see annex IX). In addition, nine interviews were conducted with members of the personnel selected on the basis of their contractual modalities; and

(f) interviews with external providers of oversight and related services, such as representatives of the United Nations Board of Auditors, the Office of the Ombudsman for United Nations Funds and Programmes, and the chairs of the UNOPS Audit Advisory Committee and the Strategic Advisory Group of Experts.

6. The report contains three recommendations: one addressed to the Executive Board and two to the Executive Director. These formal recommendations are complemented by additional suggestions for reinforcing the management and administration framework and related practices at UNOPS with reference to the standards and good practices of the United Nations system. The informal recommendations appear in bold throughout the text. To facilitate the handling of the report, the implementation of the recommendations and the monitoring thereof, annex X contains a table identifying recommendations that require a decision by the Executive Board and those requiring action by the Executive Director.

7. In accordance with article 11, paragraph 2 of the statute of the Joint Inspection Unit, the present review was finalized after detailed consultations among the inspectors to test its conclusions and recommendations against the collective wisdom of the Unit. The Inspector wishes to express her gratitude and appreciation to all who assisted in the preparation of the report, in particular those who participated in the interviews and surveys and willingly provided information and shared their knowledge.

C. Background

8. First established in 1973 as the Projects Execution Division of the United Nations Development Programme, UNOPS was made a separate and identifiable entity of the United Nations in 1995 under its current name to undertake implementation activities under the overall policy guidance and supervision of the Executive Board of UNDP, UNFPA and UNOPS.[3] In a series of resolutions and decisions, the Executive Board

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[3] See General Assembly decision 48/501, based on UNDP/UNFPA Executive Board decision 94/12 which was endorsed by decision 94/284 of the Economic and Social Council; Executive Board decision 94/32; and DP/1994/62, Report of the Executive Director of the Office for Project Services on ways of establishing the Office as a separate and identifiable entity and A/RES/65/176.

has elaborated over the years on the implementation mandate of UNOPS, particularly with respect to the nature of its project services and the types of partners with whom the organization is expected to engage. In its strategic plan 2018–2021, UNOPS fine-tuned its contribution to the United Nations system and the development community through a renewed value proposition, aiming to enable partners to do more with less, help people achieve objectives at all levels, and support countries in achieving the 2030 Agenda.[4]

9. In its response to the JIU corporate questionnaire, UNOPS describes itself as the operational arm of the United Nations supporting the implementation of its partners' peacebuilding, humanitarian and development projects around the world. This support translates into the provision of advisory, implementation and transactional services in the areas of infrastructure, procurement, project management, human resources management, financial management and other management and shared services. The annual UNOPS portfolio comprises about one thousand projects categorized under thematic sectors as per the Organization for Economic Cooperation and Development (OECD) Common Reporting Standards, such as conflict prevention and resolution, peace and security, emergency response, trade, health, education and environmental protection. In all its activities, UNOPS strives to include United Nations values and principles, in particular human rights standards, as well as criteria for sustainability and environment into project design and implementation.

10. UNOPS headquarters are in Copenhagen, while some corporate functions are maintained in its New York and Geneva offices. UNOPS is heavily decentralized, with activities in more than 100 countries. As a self-financing entity, UNOPS and its local presence grows or shrinks in size according to the volume of its activities. The project portfolio is managed by several country and multi-country offices. In addition, a number of liaison offices represent UNOPS with key global partners and promote its services to current or potential clients. The workforce directly managed by UNOPS is composed of 766 staff members and 3,413 individual contractors.[5]

11. Regarding funding, its self-financing nature distinguishes UNOPS from other United Nations system organizations. To assure its viability, sufficient income needs to be generated from service delivery to cover administrative costs and maintain an operational reserve. In the course of its history, UNOPS has experienced financial difficulties and has at times been in a precarious situation, notably in the late 1990s. The situation has since improved and according to the 2016 financial report and audited financial statements of the Board of Auditors, UNOPS is characterized by a sound financial situation with a total project delivery of $1.45 billion, with a net surplus of $31.2 million.[6]

12. The management reform initiatives of the Secretary-General of the United Nations provide an opportunity for UNOPS to demonstrate its comparative advantage. As stated in its strategic plan 2018–2021, UNOPS aims to build on its experience, expertise and comparative advantages to position itself as a service provider and strategic partner, that identifies integrated services and comprehensive solutions to support the mandates and goals of its partners, in assisting countries in the implementation of the 2030 Agenda.[7] In this context, the Board of Auditors, in its 2016 report, stated that 75 per cent of UNOPS delivery pertained to four of the Sustainable Development Goals (3, 9, 11, and 16), and that it had the capability of contributing to all of the other Goals through its management support services.[8]

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[4] DP/OPS/2017/5: UNOPS strategic plan 2018–2021.

[5] As of 31 December 2017, numbers do not include individuals under internship and volunteer agreements or engaged as individual contractors on a retainer basis.

[6] A/72/5/Add.11: Financial report and audited financial statements for the year ended 31 December 2016 and Report of the Board of Auditors (latest official figures available at the time of the finalization of the review).

[7] See DP/OPS/2017/5, paras. 12–14.

[8] See A/72/5/Add.11, para. 123.

II. GOVERNANCE

Executive Board of the United Nations Development Programme, United Nations Population Fund and United Nations Office for Project Services

13. The General Assembly of the United Nations is the supreme legislative body that determines the general policy direction of the Office, while the Executive Board, as its governing body, is responsible for providing intergovernmental support to and supervising UNOPS activities, as well as those of UNDP and UNFPA. The Board acts in accordance with the policy guidance provided by the General Assembly and the Economic and Social Council of the United Nations, in accordance with the responsibilities set out in the Charter of the United Nations. The Economic and Social Council elects the 36 members of the Executive Board from among States Members of the United Nations for a three-year term. The Executive Board meets three times a year (one annual session and two regular sessions) following the allocation of subjects as agreed in the general guidelines of the Board, adopted in 1994.[9] Having a joint governing body allows the members to address issues of importance for each entity in a coordinated manner and to give advice on similar topics in a single forum, with a view to increasing coherence. This is facilitated by a joint segment at each session, where matters related to financial, budgetary and administrative matters, procurement, ethics, internal audit and oversight and field visits are discussed. In the interviews, representatives of member States and UNOPS management found the current arrangements to be adequate to enable effective governance.

UNOPS segment at Executive Board sessions

14. In 2010, the General Assembly, in its resolution 65/176, established a separate UNOPS segment at Executive Board sessions, as recommended by JIU in 1998 and confirming an existing practice.[10] In this dedicated segment, the Executive Director of UNOPS presents the Office's annual report and other reports on its operations, strategic plans and budget estimates. A review of documentation from past sessions (2015–2017) shows relatively modest engagement of member States compared with the usually substantive discussions in UNDP and UNFPA segments. The Inspector notes, however, that interventions by member States on UNOPS-related topics have recently increased and thus reflect a growing attention to UNOPS-related matters.

Joint meetings with the executive boards of other United Nations funds and programmes

15. Since 2003, the Executive Board has been holding an annual joint meeting with the executive boards of the United Nations Children's Fund (UNICEF), UN-Women and the World Food Programme (WFP). While this meeting has no decision-making capacity, it enhances coherence by allowing the agencies to present themselves as one and to adopt common approaches in their work. Proposals to progressively merge the governing boards of the New York-based funds and programmes have been put forward by the Secretary-General of the United Nations as a possible avenue in the context of reforming the United Nations development system.[11] Interviews with members of the Executive Board confirmed that the issue required further consultation. Following that, the General Assembly, in its resolution 72/279, took note of the reform proposals and requested member States to enhance the working methods of the executive boards through practical changes and to improve the functions of the joint meeting of the boards.

Policy Advisory Committee

16. The Policy Advisory Committee was established in 2009[12] by the Secretary-General of the United Nations to assist him in the oversight of the Office and to provide policy guidance to the UNOPS Executive

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[9] E/1994/35/Rev.1.

[10] See JIU/REP/1998/5: recommendation C.1 and para. 24.

[11] See A/72/124: Repositioning the United Nations development system to deliver on the 2030 Agenda: ensuring a better future for all. Report of the Secretary-General, para. 107 (b).

[12] See Executive Board decision 2008/35. The terms of reference of the Committee were endorsed at its inaugural meeting on 22 May 2009. Its membership comprises the Administrator of UNDP, the Chair of the High-level Committee on Management, the Under-Secretary-General for the United Nations Department of Management, the Under-Secretary-

Director who at the time was an Assistant Secretary-General.[13] The Committee has two principal advisory functions: (a) to provide guidance to UNOPS in developing its strategy and business plan consistent with its self-financing nature; and (b) to provide guidance on the relationships between UNOPS and other United Nations departments, offices and funds, programmes, agencies and organizations at the organizational level and in the context of country teams under the resident coordinators and humanitarian coordinators.[14]

17. The Policy Advisory Committee held its last meeting in 2013. Since then, in view of changes in the governance of UNOPS and the evolution of its role and operations, the usefulness of the Committee has been under discussion. The Executive Board has realigned its governance arrangements for UNOPS with those of the United Nations funds and programmes, notably through the introduction of the UNOPS segment, and the establishment of the UNOPS Audit Advisory Committee. Since 2013, the Executive Director is appointed at Under-Secretary-General level and has thus become part of the Secretary-General's senior management team and a member of the United Nations System Chief Executives Board for Coordination (CEB). Against this background, the principal advisory functions of the Policy Advisory Committee have lost their relevance. Furthermore, in past years, UNOPS has concluded framework agreements with several United Nations system partners to increase coordination and coherence and define operational relationships (see annex VIII).

18. Given these developments, the Executive Board has requested the Executive Director to consult with the Secretary-General on the future role of the Policy Advisory Committee.[15] These consultations have not yet been concluded. **Examining this situation, and keeping in mind that the Policy Advisory Committee is an instrument established by the Secretary-General, the Inspector recommends that the Executive Board reiterate the need to expedite the issuance of a decision on the Committee's future.** In this context, she notes a concept note developed by UNOPS management, in consultation with current members of the Policy Advisory Committee, on the creation of a different type of body to replace the Committee and meant to engage and solicit feedback from UNOPS partners and stakeholders within and outside the United Nations system, with the objective of improving UNOPS operations and performance.

19. The proposed new body is comparable to the former UNOPS Users Advisory Group, established in 1994,[16] the purpose of which was to ensure that UNOPS was fully aware of the concerns of the United Nations system organizations and others utilizing its services. In 1998, JIU stated that a more active Users Advisory Group would increase awareness among UNOPS partners regarding the Office's role and services.[17] **As UNOPS has not only experienced strong growth in activities and portfolio, but has also expanded the scope of its partnerships beyond the United Nations system, the Inspector suggests that consideration should be given to further examining the proposal for a new committee, with a view to adding value by broadening its membership.**

General for the United Nations Department for Field Support and the Under-Secretary-General for the Office for the Coordination of Humanitarian Affairs. The United Nations Legal Counsel may participate in the meetings ex officio.

[13] The Policy Advisory Committee replaced the Management Coordination Committee that played a role in the management of UNOPS after it had become a separate entity in 1995. See JIU/REP/1998/5, paras. 25–29.

[14] See DP/2008/52, paras. 21–26 and Executive Board decision 2008/35: Governance structure of UNOPS.

[15] Executive Board decision 2015/12.

[16] Executive Board decision 1994/12.

[17] See JIU/REP/1998/5, Executive summary, para. 8.

III. OVERSIGHT, ETHICS AND RISK MANAGEMENT

A. Oversight framework

20. UNOPS has a comprehensive oversight framework, with the Internal Audit and Investigations Group assuming the internal oversight function while external oversight is provided through the Audit Advisory Committee, the external auditors (Board of Auditors of the United Nations) and JIU (see annex II). The Office of Internal Oversight Services of the United Nations provides investigative support in specific cases such as allegations against the Executive Director. Within this oversight framework, decisions of the member States, operational directives and instructions and specific terms of reference delineate the roles and responsibilities of the respective bodies. UNOPS does not maintain a traditional evaluation function, being a non-programmatic "other entity" in the United Nations system, and the services that the Office delivers are evaluated by its partners.

21. In its response to the JIU corporate questionnaire, UNOPS management considered this framework to be comprehensive and aligned with that of other United Nations organizations, while at the same time being responsive to the unique self-financing and demand-driven business model. The management stressed its commitment to ensuring strong coordination between the oversight bodies, notably in terms of workplans and information-sharing, in order to avoid duplication and to secure efficient use of resources. Based on the findings of the review, the Inspector concurs with the statement regarding the comprehensiveness of the oversight framework. That being said, the review identified a few shortcomings both in internal and external mechanisms, as outlined further in this chapter.

B. Internal oversight

22. The Internal Audit and Investigations Group provides internal oversight services. The Group was established in UNOPS in 2007, placed under the direct authority of the Executive Director and is governed by the UNOPS Financial Regulations and Rules and the Internal Audit and Investigations Charter.[18] The Group is subject to oversight by the Executive Board, the Board of Auditors of the United Nations and the UNOPS Audit Advisory Committee, and indirectly by key partners and clients through their audit and inspection departments. Furthermore, it undergoes independent external quality assessments against the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Pursuant to the Office's financial regulations and the Internal Audit and Investigations Charter, the Internal Audit and Investigations Group is responsible for all internal audits and investigations; it is to provide independent and impartial assurance, advice and consulting services to improve the Office's operations and support the accomplishment of its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of its risk management, internal control and governance processes. The Group's mandate is thus comprehensive; it has the authority to cover all UNOPS activities in all of its locations.

23. The Internal Audit and Investigations Charter is issued as an operational directive. A review of the document confirmed that its provisions are in line with professional standards and JIU recommendations on the matter, such as the nature and scope of the Group's activities, the nature of assurance services provided, the Group's position within the Office, adherence to professional standards, and the required independence.[19] In 2008, the Charter was submitted to the Executive Board as an annex to the Internal Control and Accountability Framework. The latest version of the Charter has not, however, been presented to the Executive Board for approval as recommended by the Institute of Internal Auditors and JIU.[20] The Inspector notes that UNDP is presenting its audit charter to its Executive Board in June 2018. **Against this background, the Inspector suggests that the most recently promulgated UNOPS Internal Audit and Investigations Charter be presented to the Executive Board at its annual session in 2019 for approval.**

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[18] UNOPS financial regulations 6.01 and 6.02 and OD.ED.2018.02: Internal Audit and Investigations Charter.

[19] JIU/REP/2010/5: The audit function in the United Nations system and JIU/REP/2016/8: State of the internal audit function in the United Nations system.

[20] See Institute of Internal Auditors standard 1110: Organizational Independence; JIU/REP/2010/5 (recommendation 1) and JIU/REP/2016/8, paras. 54–56.

24. The independence and accountability of Internal Audit and Investigations Group is assured by the Charter. The Director of the Group reports to the Executive Director for both administrative and operational matters and presents an annual activity report to the Executive Board. Furthermore, he has free and unrestricted access to the Executive Board and the Audit Advisory Committee. The latter ensures that any threat to or interference with the independence of the Group can be communicated directly and remedial measures suggested to the governing bodies. There are currently no provisions regarding limiting the term of office of the Director of the Group, although JIU recommended term limitations for the head of the internal audit/oversight function and employment restrictions within the same organization in 2006, and reaffirmed the recommendations in 2016.[21] **Considering those recommendations, the Inspector suggests introducing these important elements at the earliest opportunity to ensure the full independence of the head of the internal audit function.**

25. Since 2015, and based on an Executive Board decision, the Director of the Group has been providing audit opinions on the results of the Group's internal and project audit reports.[22] The rationale supporting this opinion is submitted in a separate annex to the Group's annual report, including the criteria used. The Inspector considers audit opinions to be a useful mechanism for assessing the adequacy and effectiveness of organizational frameworks of governance, risk management and internal control, and supporting the executive management and member States in their governance of organizations.

Internal audit

26. As the third line of defence of the UNOPS risk management framework,[23] the Internal Audit and Investigations Group develops its work plan based on an annual risk assessment following a risk-based methodology with quantitative and qualitative parameters to identify the auditable entities, processes and functions to be prioritized. This process includes consultations with senior management, the Audit Advisory Committee and the Executive Board. The Group's workplan is subsequently approved by the Executive Director pursuant the review and advice of the Audit Advisory Committee. The internal audit section carries out two types of activities, namely internal and project audits, as presented in annex II (c). There are four types of internal audit: audits of field-based UNOPS offices; audits of headquarters-based units; performance audits of functions and cross-functional themes; and value for money reviews. The internal audit section supports the project audits that are conducted by external consultants. Since 2016, the Internal Audit and Investigation Group has also been using data analytics to proactively monitor risks and issues and enable continuous auditing. Its analyses and findings are made available through a dashboard and a quarterly report.

27. The internal audit section of the Internal Audit and Investigations Group attests that it adheres to the International Professional Practices Framework promulgated by the Institute of Internal Auditors. In line with good practice, the section undergoes regular external assessments in the form of self-requested external quality reviews (performed in 2013 and 2017). JIU was informed that in 2017, a PricewaterhouseCoopers assessment confirmed the Group to generally conform to the international standards of the Institute of Internal Auditors, corresponding to the highest rating that can be attained.[24]

28. In terms of productivity, the number of internal audits produced annually has increased from 8 reports in 2013 to 14 reports in 2017, while the number of project audits conducted by external consultants has also grown significantly (from 13 in 2013 to 31 in 2017), bringing the total number of internal audit outputs to 45 (see annex II (c)). Audits of field offices are performed in accordance with the risk-based annual workplan, and advisory services are provided on a case-by-case basis. The number of outputs in the past can be considered appropriate when comparing with similar United Nations system organizations, with 29 in 2015 compared to an average of about 32 for the group of large United Nations system organizations (excluding the United Nations Secretariat to avoid distortion), according to the previous findings of JIU.[25]

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[21] JIU/REP/2006/2: Oversight lacunae in the United Nations system and JIU/REP/2016/8.
[22] See Executive Board decision 2015/13: Internal audit and oversight, para. 5 (a).
[23] Institute of Internal Auditors, "Leveraging COSO across the three lines of defence", July 2015.
[24] See DP/OPS/2018/3: Activity report for 2017 of the Internal Audit and Investigations Group, para. 7.
[25] JIU/REP/2016/8.

29. The evolution of resources allocated to the audit section is described in annex II (c). In 2017, the section was staffed with one senior internal auditor at P-5 level and two internal auditors at P-4 and P-3 levels (all staff members), supported by three audit specialists, one data analytics associate and one audit assistant (all under individual contractor agreements). As a result, five of eight internal audit positions are filled by individual contractors. In the exercise of the audit section's activities, external firms and consultants are used for a significant proportion of the work.

30. A challenge for internal auditing is the turnover of internal auditors, particularly of those hired under the individual contractor modality, and the potential adverse effect on audit operations, the institutional memory of the audit function and the independence of the auditors themselves. **Based on the findings of the review and considering the risks resulting from such limitations, the Inspector is of the opinion that the contractual modalities for internal auditors should be reassessed and the establishment of additional staff posts should be considered, with a view to reinforcing the capacity of the Internal Audit and Investigations Group.**

Investigation

31. The investigation section is responsible for conducting investigations into allegations of fraud, corruption, wrongdoing, abuse of authority, workplace harassment, sexual exploitation, retaliation and other acts of misconduct. Its professional standards are based on the Uniform Principles and Guidelines for Investigations, developed by the Conference for International Investigators (2003), which are broadly adopted by United Nations system organizations, as well as on a specific operational instruction (OI.IAIG.2018.01), which covers investigations into allegations of misconduct against UNOPS personnel (all individuals who have contracts with UNOPS, including but not limited to staff members, individual contractors, interns and volunteers) and related measures, and internal guidelines. UNOPS has a zero-tolerance policy regarding misconduct, in particular corruption, fraud, harassment, sexual abuse, discrimination, retaliation and abuse of authority.

32. Each complaint submitted is subject to an internal initial review by the Internal Audit and Investigations Group to determine whether the allegations fall within the Group's mandate and jurisdiction or should be referred to another internal entity, such as the People and Change Group or the Ethics Office. Cases involving vendors fall under the purview of the Vendor Review Committee. In 2017, the investigation section received 111 complaints, based on which 59 cases were opened for investigation. This number represented the highest caseload since the Group's inception, as noted by its director in his 2017 annual activity report, through which detailed information and statistics are provided to the Executive Board.[26]

33. The investigation section is staffed with one senior investigator at P-5 level and one investigator at P-3 level (both staff members), supported by three investigations specialists and one investigation assistant (all under individual contractor agreements). This capacity is spread between Copenhagen and New York. As in the internal audit section, the turnover of investigators, including those hired as individual contractors, potentially presents a challenge for conducting investigation activities. Furthermore, the employment of investigators under individual contractor modalities may lead to instances of conflict of interest and affect their independence.

34. The audit opinion expressed in the 2017 annual activity report of the Internal Audit and Investigations Group had notably observed that, "based on the scope of audit and investigations work undertaken, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory (major improvement needed), which means that they were generally established and functioning but needed major improvement."[27] In 2015 and 2016, the UNOPS Governance, Risk and Compliance (GRC) framework was assessed as partially satisfactory and thus needing improvement. In 2017, the audit opinion was strengthened as the GRC was deemed to need major improvement. **Based on the findings of the review and considering the Internal Audit and Investigations Group activity reports of the past three years, the**

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[26] DP/OPS/2018/3: Activity report for 2017 of the Internal Audit and Investigations Group of the United Nations Office for Project Services.

[27] See DP/OPS/2018/3, para. 51.

Inspector is of the view that the Executive Director should take appropriate measures to strengthen internal control and improve coverage of the critical risks as identified, including the Group's ability to act as a strategic business partner for UNOPS. Resources allocated to the Internal Audit and Investigations Group in the management budget have increased since 2012, in terms of financial and human resources (from $2.2 million to 3 million and from 10 to 17 positions). Despite the Group's vision of strengthening its role as a strategic business partner and the expansion of the UNOPS business, which nearly doubled between 2012 and 2017, the Group's capacity has not evolved at the same pace.

Fraud-related issues

35. On several occasions, the Executive Board has recognized the high-risk environment in which UNOPS and its implementing partners operate, and requested that measures be continuously strengthened to prevent, detect and respond to fraud, notably in procurement.[28] Fraud and the related organizational risks are discussed by the Audit Advisory Committee on a regular basis. As part of the revised legislative framework, an operational instruction has been issued in 2018 with the objective to facilitate controls to prevent, detect, report and investigate fraud and corruption throughout the Office, notably by promoting consistent organizational behaviour.[29]

36. In 2017, UNOPS identified $268,507 of financial losses due to fraud. This amount has decreased compared to 2016 when $340,000 were identified. UNOPS had detected significantly lower amounts of fraud-related losses in previous years. The higher amounts identified in the past two years are the result of strengthened efforts to combat fraud and improve fraud detection. The Inspector considers the amounts detected still relatively low given the complexity of UNOPS operations and the high-risk environments in which it operates. As already pointed out in a 2016 JIU report on fraud, the level of fraud reported by the United Nations system is low compared to the public and private sector average. In the United Nations system, it is on average 0.03 per cent of total revenue, while it is in the range of 1–5 per cent in the public and private sector.[30] Another indication of the need to improve detection and combat of fraud is the number of fraud cases detected in UNOPS, which increased from 23 in 2015 to 30 in 2017. While in the past most fraud cases related to medical insurance claims by UNOPS personnel, in 2017, 29 out of 30 cases related to financial irregularity (compared to 12 in 2015). Considering that the level of fraud detected at UNOPS amounted to 0.04 per cent of the Office's total revenue, greater efforts are needed, as they are in all United Nations system organizations, to improve fraud detection and combat fraud.

37. UNOPS management has introduced a series of measures to improve fraud prevention and awareness, including a mandatory fraud awareness training launched for all personnel in 2017, with a procurement-specific module. The Inspector welcomes the fraud risk assessment conducted in December 2016 to identify the major fraud risks faced by UNOPS and the conduct of an annual integrity, fraud and ethics survey among personnel to raise awareness and collect information. Furthermore, the Audit Advisory Committee has suggested conducting country-specific analyses to determine possible risks of fraud in relation to specific transactions.[31] The Internal Audit and Investigations Group has signed a series of agreements with development agencies in member States (such as the conclusion of an anti-fraud cooperation memorandum of understanding with the Swedish International Development Cooperation Agency, and with professional associations, such as the Association of Certified Fraud Examiners and the Institute of Internal Auditors).

38. **The Inspector encourages UNOPS management to continue to regularly review and update the fraud prevention and detection framework and monitor its effective implementation to strengthen accountability and integrity of the organization**. One of the findings of the UNOPS integrity, fraud and ethics awareness survey was that UNOPS personnel were reluctant to report fraud. The role of UNOPS personnel in fraud prevention and detection is key and it is therefore necessary to assure them protection against retaliation.

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[28] Executive Board decisions 2017/5, 2016/2 and 2016/13 and 2015/5.
[29] OI.ED.2018.01: Policy to address fraud and corruption.
[30] JIU/REP/2016/4: Fraud prevention, detection and response in United Nations system organizations.
[31] See the Audit Advisory Committee annual report for 2016 (DP/OPS/2017/3, annex 3), para. 34.

C. External oversight

Audit Advisory Committee

39. The Audit Advisory Committee originates from Executive Board decisions 2015/4 and 2015/12. Pursuant to its terms of reference, it is an independent advisory committee providing strategic advice to the Executive Director regarding oversight, financial management and reporting, internal audit and investigation, external audit, risk management, and systems of internal control and accountability.[32] These terms of reference are comparable to those of the audit advisory committees of UNDP and, to a lesser extent, of UNFPA.

40. As pointed out in the 2016 JIU report on the internal audit function, oversight committees in United Nations system organisations play a critical role in assisting executive heads and governing bodies in strengthening oversight.[33] According to its terms of reference, however, the Audit Advisory Committee has an advisory function to the Executive Director only and not to the Executive Board, although in paragraph 4 of its decision 2015/4 the Board emphasized the Committee's advisory function in relation both to the management and to the Board. The Executive Board decision is in line with good practice requiring that such committees also serve the member States, in particular governing bodies, in their oversight responsibilities and help build trust and confidence in how organizations are managed.

41. Furthermore, the nomination and appointment process of Committee members is not specified; new members are identified through networking. According to the information available, the process is handled by UNOPS management, with the Executive Director appointing Committee members and informing the Executive Board after the fact. According to the Institute of Internal Auditors, leading practices suggest that organizations "employ an explicit competency-based selection process, due to the importance of having the appropriate mix of skills, experience, and personal attributes".[34] As recommended by JIU, the selection process should be led by the executive head, with a report and recommendation to the governing body for approval in the final selection.[35] The terms of reference also do not mention geographical diversity or gender balance in the Committee's membership. The Committee is presently composed of three members, one female and two male, originating from two regional groups. Committee members fulfil their responsibilities on a pro bono basis. The Inspector notes with concern that one Committee member (and in the past, two Committee members) also serves as a member of the Strategic Advisory Group of Experts providing advice to the Executive Director to support the development and implementation of the UNOPS strategic plan.[36] This double membership is considered a serious issue and presents a potential conflict of interest.

42. The Inspector notes that the current terms of reference for the Committee have been endorsed through an Executive Board decision and thus the modus operandi of the Committee has been approved. In the opinion of the Inspector, the terms of reference do not fully correspond to the requirements of leading practices and good governance. A review of the terms of reference of similar committees at UNICEF and WFP identified a series of differences with regard to provisions on the role of the committee, the independence and required expertise of its members, the frequency of self-assessments, the appointment procedure and the attendance of executive heads and others at committee meetings. In line with the standards and recommendations of the Institute of Internal Auditors for independent audit committees and the terms of reference of similar committees, the Inspector recommends conducting a review of the Committee's terms of reference with a view to further aligning them to common good practice. In particular, the provisions concerning the mandate and responsibilities of the Committee and the process for selection and appointment of its members should be addressed.

43. The annual report of the Audit Advisory Committee is annexed to the activity report of the Internal Audit and Investigations Group and submitted as such to the Executive Board. UNOPS management considers that

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[32] Organizational directive No. 5/Rev.5 (2015): Audit Advisory Committee and Strategic Advisory Group of Experts: Terms of reference.

[33] See JIU/REP/2016/8, para. 217.

[34] *Independent Audit Committees in Public Sector Organizations* (2014), p. 14.

[35] See JIU/REP/2006/2, para. 24 (recommendation 1) and JIU/REP/2016/8, para. 233.

[36] See paragraph 69 below on the membership and mandate of the Strategic Advisory Group of Experts.

the Committee has fulfilled its advisory responsibilities and engaged with internal oversight functions, senior management and UNOPS executives, and has deepened its interaction with the Board of Auditors. Furthermore, in the view of UNOPS management, the Committee has discussed the topics covered by its terms of reference, as well as others. UNOPS management explained that due to the Committee's advisory nature, it does not issue formal recommendations. From the Committee's annual reports for the years 2015–2017, the Inspector sees less indication of the Committee having held in-depth discussions on the issues within its responsibility, such as governance initiatives, risk management, internal control, audit or financial statements and related reporting. The Inspector also notes the absence of important information on the independence of the Internal Audit and Investigations Group, the quality of the Group's work and the audit workplan, the adequacy of resources to implement the workplan, management risks exposure and risks not addressed. The reports do not contain explicit opinions, advice or recommendations by the Committee. Furthermore, the Executive Director was present during the Committee's sessions, which can be regarded as an unusual practice and as impairing the independence of the Committee although its terms of reference allowing the participation of the Deputy Executive Director. In the view of the Inspector, the attendance of the executive management and other managers of UNOPS in meetings of the Audit Advisory Committee should only be possible on invitation by the Committee, and to participate in discussions on particular issues.

44. The implementation of the following recommendation is expected to enhance the effectiveness of the oversight framework.

Recommendation 1

The Executive Board should adopt, at its 2019 annual session, revised terms of reference for the Audit Advisory Committee, prepared by the Executive Director, in compliance with good practices and established standards, notably with regard to the mandate, independence and composition of the Committee and the procedures for the appointment of its members.

Board of Auditors of the United Nations

45. The UNOPS Financial Regulations and Rules stipulate that the external audit provisions of the United Nations apply to the Office.[37] The Board of Auditors of the United Nations is therefore responsible for the conduct of external and independent audits of UNOPS financial statements. The reports of the external auditor, together with the financial statements, are submitted to the General Assembly. After adoption, the report is transmitted to the Executive Board, including the comments of the Executive Director. In January 2018, the external auditor participated in the Executive Board meeting and introduced his 2016 report. In his statement, he presented the key findings, including comments on specific areas such as governance structure, the enterprise resource planning system and human resources management. The low implementation rate of outstanding recommendations from previous years was also underlined (38 per cent). **The Inspector considers the participation of the external auditor in the Executive Board sessions to introduce his or her report a positive development. It gives member States an opportunity to discuss the findings and recommendations outside the General Assembly context, with an exclusive focus on UNOPS. This practice should continue, in order to stimulate active discussion**.

46. The Board of Auditors, which has provided unqualified audit opinions on UNOPS financial statements since 2000, confirmed that legal and regulatory requirements had been fulfilled, that the financial statements were complete and the financial position of UNOPS remained sound.[38] The unqualified opinions are accompanied by long-form reports on specific areas that merit attention. In recent years, the external auditors have reviewed specific topics such as enterprise risk management, human resources management, internal control, accountability and transparency.

47. The Inspector notes with concern the low implementation rate of outstanding recommendations of the Board of Auditors. A total of 23 recommendations issued in previous reports had not been implemented by 30 June 2017. The substance of these recommendations referred to the operational reserve and its surplus, risk

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[37] See EOD.ED.2017.4: Financial Regulations and Rules, regulation 6.04.
[38] See A/72/5/Add.11, A/71/5/Add.11 and A/70/5/Add.11.

management and human resources management issues, among others. **The Inspector trusts that UNOPS management will identify and take specific measures to expedite the implementation of the outstanding recommendations. She notes that steps have been taken and progress with regard to implementation is being monitored on at least a quarterly basis.**

Joint Inspection Unit

48. The consideration of and follow-up to JIU reports and recommendations by UNOPS is covered by the guidelines endorsed by the General Assembly in 1999.[39] In 2017, subsequent to a JIU management letter and further consultations, UNOPS institutionalized a system to report on JIU reports and recommendations to the Executive Board.[40] The comments of UNOPS management on JIU recommendations are presented through a detailed annex to the annual report of the Executive Director, including information on the status of the acceptance and implementation of the recommendations. **To bring UNOPS practice into line with the provisions of the JIU statute and the relevant resolutions of the General Assembly, the Inspector suggests that in future, the Executive Board should clearly indicate in its decisions whether it accepts the JIU recommendations and instructs UNOPS management to implement them.** This would strengthen follow-up to the JIU recommendations considered relevant for the Office.

D. Oversight products and recommendations

49. The JIU review identified a good level of transparency and information-sharing concerning UNOPS reporting on oversights matters to the governing bodies, through a series of modalities (see annex II (a)). Reporting to the Executive Board includes comprehensive management responses. Internal audit findings and recommendations are disseminated among relevant managers within the Office. Annual reports and audit reports are publicly available on the UNOPS website.

50. The review of the minutes of the senior management committee meetings shows that constant attention is given to the status of oversight recommendations using internal tracking tools. The oversight recommendations dashboard is a new feature introduced in 2018, providing UNOPS management with current information on the status of recommendations. The Inspector notes the high implementation rate of about 90 per cent of the recommendations issued by the Internal Advisory and Investigations Group in recent years. As presented in annex II (b), the highest overall implementation rate relates to JIU recommendations, while recommendations made by the Board of Auditors have the lowest implementation rate.

E. Ethics framework

51. The UNOPS ethics function was established in 2009 in line with the terms of reference stipulated in the Secretary-General's bulletin on the application of ethics to separately administered organs and programmes, issued in 2007.[41] Its mandate consists of promoting the highest standards of integrity and fostering a culture of ethics, transparency and accountability within UNOPS. Under the revised legislative framework, the operational directive on human resources includes basic provisions on ethics matters and refers to a series of operational instructions and a section of the Process and Quality Management System (PQMS) for concrete guidance. In 2018, UNOPS updated its framework by issuing separate policies on protection against retaliation, financial disclosure and conflicts of interest, acceptance of gifts and hospitality and outside employment and activities.[42]

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[39] A/RES/54/16 and A/54/34.

[40] JIU/ML/2016/14: Review of acceptance and implementation of JIU recommendations by the United Nations Office for Project Services.

[41] ST/SGB/2007/11: United Nations system-wide application of ethics: separately administered organs and programmes and amendment 1.

[42] Operational instructions: OI.Ethics.2018.01, Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations; OI.Ethics.2018.02, Financial disclosure and conflict of interest statements; OI.Ethics.2018.03, Prohibition of accepting gifts, honours, decorations, favours or non-UN remuneration or benefits from governmental and non-governmental sources; and OI.Ethics.2018.04, Outside activities.

52. UNOPS staff members are automatically subject to the obligations regarding conduct set out in the Charter of the United Nations, the Staff Regulations and Rules of the United Nations and the Standards of Conduct for the International Civil Service promulgated by the International Civil Service Commission. Through its own internal policies, UNOPS has made all personnel subject to broadly the same standards of conduct, regardless of their contractual status. This approach is coherent and necessary to ensure integrity and accountability of the different categories of personnel. In this context, the United Nations online training on ethics is mandatory for UNOPS personnel. As, in the Inspector's opinion, UNOPS could benefit from additional customized training modules, she welcomes the tailored training already developed by the Ethics Office, in collaboration with other business units, to support UNOPS personnel in specific situations triggered by their working environments.

53. The UNOPS Ethics Office is headed by the Ethics Officer, who reports directly to the Executive Director. The function is currently discharged by the former legal counsel of the Office, who was hired after his retirement as an external consultant working part-time and remotely. The Ethics Officer coordinates with the Ethics Adviser at headquarters (a full-time P-5 level staff post since December 2015) and a part-time administrative assistant (under a local individual contractor agreement). Comprehensive annual reports containing detailed information on all activities of the Ethics Office, including cases handled for the protection of personnel against retaliation, are submitted to the Executive Director and the Executive Board, at times together with a management response. In the past two years, the ethics reports have been presented to the Executive Board by UNOPS legal counsel. There is no evidence in the available documentation giving the Ethics Officer formal or informal access to the Executive Board, as recommended in the 2010 JIU report on the ethics function, to ensure the independence of the Ethics Office.[43] UNOPS management has clarified that the statement presented to the Executive Board by the legal counsel is prepared by the Ethics Officer, who is available online during the session.

54. The Secretary-General's bulletin on the application of ethics does not contain provisions on the procedures for the selection and appointment of the Ethics Officer. While the appointment of the current Ethics Officer was made by the Executive Director, UNOPS is revising its procedures for the appointment of a new Ethics Officer, to include consultations with the Executive Board. In 2010, JIU suggested that an appointment board should be set up to ensure the independence of the ethics function and rigour in the conditions and criteria for the selection, appointment and implementation of term limits for the position of Ethics Officer. The JIU report further stated that there should be a competitive recruitment process open both to external and internal candidates on an equal basis.[44] Considering these recommendations, the Inspector is of the view that the appointment of a former legal counsel as Ethics Officer does not appear appropriate in terms of perception of independence and objectivity. **She recommends that UNOPS consider aligning its new procedures for the appointment of the Ethics Officer with the related recommendations contained in the 2010 JIU report.**

55. It should be noted that the UNOPS Ethics Officer acted as interim principal advisor in the UNICEF Ethics Office from 1 December 2015 to 8 February 2016. Furthermore, the UNOPS Ethics Office served as the ethics function for the World Tourism Organization until the end of 2016.[45] In 2017, UNOPS concluded a memorandum of understanding with the World Intellectual Property Organization to act as an appeals mechanism for cases of prima facie retaliation that had not been determined. Despite the positive effects of such an engagement, the Inspector is of the view that such additional external activities put strain on the Ethics Office.

56. According to its 2017 annual report, the number of requests submitted to the Ethics Office is increasing.[46] While in the period 2010–2015 the number of requests varied between 438 and 498, it rose from 621 in 2016 to 961 in 2017. In 2017, most requests were for ethics advice (36 per cent), followed by requests related to the new financial disclosure policy (22 per cent). The administration of the financial disclosure and conflict of

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[43] JIU/REP/2010/3: Ethics function in the United Nations system.
[44] See JIU/REP/2010/3, recommendation 3.
[45] See DP/OPS/2017/4: Activities of the UNOPS Ethics Office in 2016, para. 29.
[46] See DP/OPS/2018/4, para. 6.

interest programmes, together with the whistle-blowing policy, are among the major responsibilities of the Ethics Office and, according to statements by members of the Ethics Office, represent the largest share of their work.

57. While the JIU personnel survey identified a remarkable level of awareness of the existence of the Ethics Office (80 per cent), there was some lack of clarity among respondents about its roles and responsibilities in respect of cases outside its scope, such as interpersonal difficulties or performance issues. In the Inspector's opinion, there is room to improve information on the respective responsibilities with regard to ethics matters.

58. In its 2016 report, the Board of Auditors of the United Nations stated that asset disclosure statements had not been made mandatory in UNOPS and had not been filed by specific personnel, as determined by the UNOPS Ethics Office, in addition to their financial disclosure and conflict of interest statements for 2016. The Board of Auditors recommended that consideration be given to establishing a policy aligned with the financial disclosure policy of the United Nations Secretariat. As a result, the focus of the disclosure programme was moved from asset disclosure to conflict of interest disclosure and introduced as a pilot scheme to identify conflicts of interest at an early stage. Given the large number of UNOPS activities related to procurement and project management, a large percentage of the UNOPS workforce is subject to mandatory financial and conflict of interest disclosure. Such disclosure is therefore a crucial function. After a one-year trial phase, UNOPS concluded that the new programme was a success when comparing its results with the previous scheme. After a further one-year trial, the system will be reviewed again.

59. Some characteristics of UNOPS, as described in the present report, give rise to additional challenges for the ethics function and call for increased attention to ensure a consistent and uniform application of ethics rules in the specific UNOPS business environment and across the Office. The Inspector notes with concern the current arrangements for the ethics function, given the volume of UNOPS service delivery, which amounted to $1.8 billion in 2017, and the size of the workforce (4,179 people).[47] Despite additional funds allotted to the ethics function in recent years (in 2015 for the appointment of an Ethics Advisor and in 2017 for part-time administrative support), and considering the function's responsibilities, the Inspector is of the opinion that it is insufficiently resourced to cultivate and nurture a culture of ethics, integrity and accountability as promulgated by the Secretary-General of the United Nations. The Inspector recommends that the Executive Director should carefully review the current arrangement with a view to establishing a full-time senior staff post for the Ethics Officer and further temporary assistance to bring the function into line with the requirements of the Office.[48] Increased resources would also help to secure a more proactive ethics corporate function. For the selection and appointment of a new Ethics Officer, the recommendations of the 2010 JIU report on the ethics function should be followed in respect of, among others, competitive recruitment, professional background in ethics as a requirement for the post, the involvement of staff representatives in the selection process, term limits for the incumbent and setting out the Ethics Officer's formal and informal access to the governing bodies.[49]

60. The implementation of the following recommendation is expected to enhance the effectiveness of the ethics framework.

Recommendation 2

The Executive Director should strengthen the ethics framework, notably by: (a) establishing a full-time Ethics Officer staff position at senior level; and (b) providing additional resources in the management budget 2019/2020 to ensure a more proactive ethics function.

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[47] As previously stated, this does not include individuals under internship and volunteer agreements or engaged as individual contractors on a retainer basis.

[48] As is already the case in UNDP, UNHCR and WFP.

[49] See JIU/REP/2010/3, recommendations 2, 3, 4, 5 and 8.

F. Risk management

61. Enterprise risk management is a systematic, organization-wide approach supporting the achievement of strategic objectives by proactively identifying, assessing, evaluating, prioritizing and controlling risks across the organization. It is an essential element of good governance and accountability.[50] The nature of UNOPS activities and the environment in which the Office operates make risk assessment and management even more crucial. The demand-driven model and the diversity of services constitute a challenge for risk management and the level of corporate control needed. Against this background, risk management is a priority for UNOPS management. The recently introduced GRC initiative has enhanced internal maturity in this area. UNOPS will henceforth work on a consistent and standardized corporate risk management framework and supporting management tools. Risk management is embedded in "oneUNOPS" where every engagement can be tracked virtually and project risk registers are accessible online.

62. UNOPS does not have a dedicated risk management committee. Instead, this role is fulfilled by the Corporate Operations Group, one of UNOPS two senior management committees, using the Quarterly Business Review as a management tool to keep track of the risk profile of all engagements, and to review and respond to identified risks. An updated risk management framework was implemented in 2018. This framework is applied at all stages of business engagement and at all levels of the Office, from country offices to headquarters. At organizational level, the Finance Group is responsible for overseeing corporate risk management and establishing, maintaining and supporting the implementation of the new enterprise risk management framework. The operational directive promulgated in March 2018 (OD.FG.2018.03) is the main reference document containing broad considerations on risk management. At the time of drafting the present report, the corporate risk appetite statement and risk register were being prepared.

63. At the project engagement and execution level, a consistent approach is applied before entering into any new engagements through the opportunity and engagement acceptance process. This includes consideration of risks in legal terms, procurement aspects, and finance and human resources management, notably through a series of standardized questions raised at an early stage. Risk assessment is also taken into consideration for the definition of charges applied to a project. Project managers regularly review each project through the quarterly assurance process, which is managed by the Infrastructure and Project Management Group. In their responses to the JIU questionnaire, the vast majority of the directors and heads of field offices stated that the risk management framework was applied consistently and that it was adequate for carrying out their engagements. Furthermore, projects that have a very high level of risk need to be examined and approved by the Executive Director.

64. The Inspector is of the view that the corporate risk management framework and the supporting management tools have strengthened UNOPS entrepreneurial risk culture and helped to minimize risks at all levels. Once the risk appetite statement and the risks registers are implemented, they will contribute to guide strategic decision-making on the basis of sound risk assessment and management. In this context, the audit opinion of the Internal Audit and Investigations Group, which considered that the GRC framework needed major improvement, should be noted. The Inspector trusts that the executive management will take appropriate measures to address this issue. Maintaining an appropriate balance between risk containment on the one hand and the search for innovation and new opportunities on the other, with potential higher risk, is an exercise inherent in the UNOPS business model. This requires closer scrutiny considering that UNOPS is looking to expand its cooperation with the private sector, such as through the Social Impact Investing Initiative.

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[50] JIU/REP/2010/4: Review of enterprise risk management in the United Nations system: Benchmarking framework.

IV. MANAGEMENT

A. Management framework

Executive management

65. UNOPS is headed by an Executive Director who is fully responsible and directly accountable to the Executive Board for all aspects of UNOPS activities.[51] Furthermore, the Executive Director is accountable to the Secretary-General of the United Nations for the exercise of the authority entrusted to her in matters relating to finance and human resources management.[52] The Executive Director is assisted by the Deputy Executive Director, who oversees the management and implementation of UNOPS operations.[53] During the interviews, Executive Board members commented positively on both executive managers of the Office. Although the division of labour between the executive managers is only broadly defined in an internal document, the review confirmed a clear division of labour and the particular responsibilities entrusted to the Deputy Executive Director in his or her capacity as chief operations officer. The current Executive Director was appointed in 2014 by the Secretary-General, following consultations with the Executive Board, and her term was renewed in 2018. The Deputy Executive Director was appointed by the Secretary-General in 2010.

66. UNOPS has two senior management committees that act as advisory bodies to the Executive Director. The Senior Leadership Group meets quarterly to advise on strategic issues and facilitate decision-making for the executive management,[54] while the Corporate Operations Group meets six times a year to advise on operational issues and serves as a regular coordination forum for the executive management.[55] Since 2018, regional directors' meetings and headquarters directors' meetings, chaired by the Deputy Executive Director, have become integral parts of the executive management framework (with three of each type of meeting held per year). The global leadership meeting, with broad participation from across the organization, is an annual event examining the organization-wide approach for the operationalization of medium- and longer-term strategic priorities. The meeting can be considered as a good networking opportunity and a way of reinforcing connections between headquarters and field entities pursuing different projects in diverse environments.

67. JIU reviewed the minutes of the Senior Leadership and Corporate Operations Groups for the years 2015–2017. These records were well maintained. The minutes reflected continuous discussions on strategic positioning and the high degree of attention paid to new business opportunities, underlining the special modus operandi of the Office and the particular emphasis on expansion of partnerships and services.

68. The Inspector notes the discussions in the Corporate Operations Group on improving the leadership culture, notably by reviewing the Leadership Charter initially adopted in 2010 and the leadership training programme. UNOPS introduced a leadership compact for Corporate Operations Group members, which was recognized as a good practice in the European Foundation for Quality Management assessment. This common leadership approach promotes an entrepreneurial spirit and includes individual commitments by each member to realize the UNOPS mission. However, in contrast to the leadership compact instituted by the Secretary-General of the United Nations with senior managers, which is available on the United Nations intranet, the UNOPS leadership compact is not currently shared in the organization. **In order to strengthen transparency**

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[51] See UNOPS Financial Regulations and Rules, regulation 3.01.

[52] ST/SGB/2009/1: Authority of the United Nations Office for Project Services in matters relating to human resources management.

[53] EOD.ED.2017.02: Executive Office Directive on the organizational principles and governance model, 3.4.

[54] The Senior Leadership Group is composed of the Executive Director (Chair), Deputy Executive Director and Chief Operations Officer, Coordinator for Delivery Practices (Director, Infrastructure and Project Management), Coordinator for Regions (Director, Africa), Director Finance Group, Director People and Change Group, and Head of Communications.

[55] The Corporate Operations Group is composed of the Deputy Executive Director and Chief Operations Officer, Director Africa Region, Director Asia Region, Director Europe and Central Asia Region, Director Middle East Region, Director Latin America and Caribbean Region, Director Infrastructure and Project Management Group, Director Procurement Group, Director Finance Group, Director People and Change Group, Director Legal Group and Director Management Support Service, Director Shared Service Centre.

and accountability, the Inspector suggests that the example of the Secretary-General should be followed by making the compacts, together with senior managers' performance assessments for previous years, available to the UNOPS workforce.

69. In addition to these internal committees, the Strategic Advisory Group of Experts, with an external membership, convenes three to four times per year and provides independent, expert and non-binding advice and guidance to the Executive Director.[56] According to the minutes of the Advisory Group's meetings, its discussion focuses on relevant best practices and industry standards that could support the development and implementation of the Office's strategic plan.

Management and other committees

70. The UNOPS management framework comprises a series of other committees that oversee specific corporate functions and processes (see table 1). Their roles and functions are set out in their respective terms of reference. The committees are composed of officials from across the Office. The records of these committees are well maintained and distributed to relevant officials, and some are available on the intranet. In the view of the Inspector, UNOPS management and other committees provide an effective framework that allows informed decision-making by the executive management and adequate overall management of the organization. In addition, UNOPS has obtained international certifications in several management areas and a series of certificates of compliance with international standards.[57] UNOPS management uses these certifications to demonstrate the excellence of the Office when promoting it among partners and potential new clients.

Table 1: Management and other committees

Committees	Terms of reference
Corporate Operations Group	Informal terms of reference shared
Senior Leadership Group	Informal terms of reference shared
HQ Contracts and Property Committee	OI.LG.2018.05: Contracts and property committees, members and duties
Local Contracts and Property Committee	OI.LG.2018.05: Contracts and property committees, members and duties
Engagement Acceptance Committee	OIIPMG.2018.02: Acceptance of engagement agreements
Vendor Review Committee	OI.PCG.2017.02: Vendor sanctions
Partnership Review Committee	Terms of reference shared, formal reference requested to UNOPS
Appointment and Selection Board	PQMS 7.3.26: Review by central review bodies
Appointment and Selection Panel	PQMS 7.3.26: Review by central review bodies
Legislative Framework Committee	EOD.ED.2017.01: Legislative framework
ICT Strategic Governance Board	To be issued pursuant to OD.FG.2018.02 on ICT
ICT Operational Governance Panel	To be issued pursuant to OD.FG.2018.02 on ICT
Knowledge Management Advisory Board	Terms of reference under preparation

Source: Prepared by JIU.

Governance, Risk and Compliance initiative

71. In 2016, UNOPS launched a major management reform programme that introduced new organizational principles to streamline internal governance and empower managers. The reform was executed through the Governance, Risk and Compliance (GRC) initiative, which focused on six management areas: internal

[56] Organizational directive No. 5/Rev.5 (2015): Audit Advisory Committee and Strategic Advisory Group of Experts: Terms of reference. The Strategic Advisory Group of Experts currently has three members.

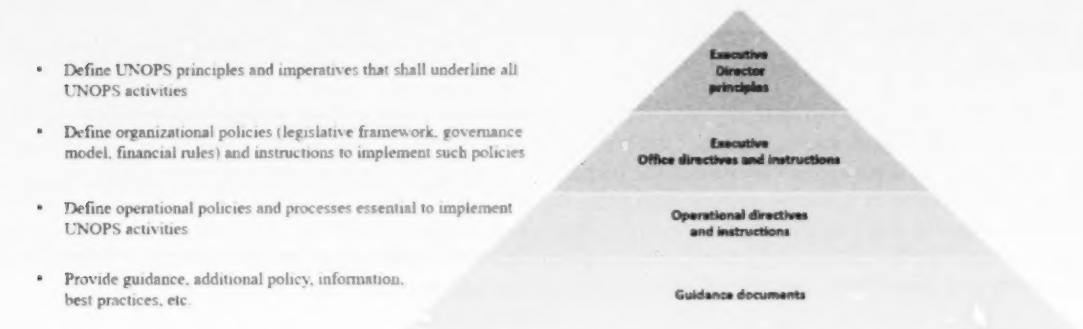
[57] For example: certificate for excellence in management practices from European Foundation for Quality Management (2013 and 2017), ISO 9001 Quality Management Certification (2011, current certification valid to 2020), ISO 14001 Environmental Management Certification (2013, current certification valid to 2020), OHSAS 18001 Health and Safety Management Certification (2015, current certification valid to 2020).

governance, risk management, compliance management, performance management, ethics/culture management and internal control.[58] The GRC initiative was introduced in the UNOPS strategic plan 2018–2021 to inform Executive Board members about how UNOPS planned to simplify and empower its operations through adjusting internal structures and reducing the number and volume of internal policies.[59] The initiative resulted in a new organizational structure, and a revised internal governance model and legislative framework, which came gradually into effect between the last quarter of 2017 and the first quarter of 2018. UNOPS organizational excellence model is the overall strategic reference point for the initiative (partner value, people excellence, process excellence, financial stewardship).

Legislative framework

72. The revised legislative framework consists of four types of instruments, with a defined hierarchy among them: (a) the Executive Director principles setting out the overarching principles and imperatives underlining UNOPS activities and the conduct of its personnel, (b) Executive Office directives and instructions defining organizational policies, (c) the operational directives and instructions elaborating on operational policies and processes and (d) a series of guidance and informational documents on these directives and instructions. All UNOPS legislative instruments must comply with the overarching legal basis of applicable United Nations instruments promulgated by organs with authority over UNOPS.[60] A new Process and Quality Management System (PQMS) was established as an online corporate repository giving guidance on workflows and processes in relation to legislative and mandatory procedures. The system is accessible to all practitioners and personnel and hence is expected to enhance compliance with policies and mandatory processes.

Figure I: Legislative framework (2018)


Define UNOPS principles and imperatives that shall underline all UNOPS activities
Define organizational policies (legislative framework, governance model, financial rules) and instructions to implement such policies
Define operational policies and processes essential to implement UNOPS activities
Provide guidance, additional policy, information, best practices, etc.
Executive Director principles
Executive Office directives and instructions
Operational directives and instructions
Guidance documents

Source: Organizational Principles and Governance Model.

73. UNOPS thus now follows 12 operational directives, compared to over 40 previously. At the time of finalizing the present report, all operational directives and the majority of the operational instructions had been published. In order to strengthen internal accountability, the respective corporate functions are responsible for the promulgation of the directives and instructions under their authority. Policy owners are responsible for introducing the relevant information in the PMQS for the implementation of these instruments and updating it. A review of the PQMS is envisaged at least once a year, to ensure that they remain efficient and effective.

74. A review of the revised legislative framework confirmed a clear hierarchy of instruments in place and a high level of flexibility to adjust the instruments as required. While the stated objectives are met through a simplified legislative framework, linked to increased delegation of authority and accountability of policy owners, the Inspector observed some redundancies in the content of the policies and corresponding administrative instruments. She trusts that adjustments will be made to fully achieve the UNOPS stated

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[58] Executive Director principles and ED.OD.2017.02: Organizational principles and governance model.
[59] See DP/OPS/2017/5, paras. 92-102.
[60] These include the United Nations General Assembly, the United Nations Economic and Social Council, and the Executive Board of UNDP, UNFPA and UNOPS (see EOD.ED.2017.1).

objectives and ensure that the revised legislative framework increases compliance across the Office's decentralized structure, as envisaged.

Accountability and delegation of authority

75. The 2011 JIU report on accountability frameworks in the United Nations system stated that UNOPS was among seven organizations that had a formal stand-alone accountability framework in place.[61] Regarding the components of the framework as recommended by JIU, the Inspector notes that UNOPS has a strong internal control system with most of the internal control components in place.[62] These include: a revised legislative framework; definition of roles and responsibilities for senior managers in various policy instruments and in individual compacts; a consolidated instrument for delegation of authority; a system of performance management; key controls to address any risks; and a system for monitoring results as outlined by the Board of Auditors in 2014.[63] The directors and heads of field offices confirmed that a well-defined structure was in place with adequate oversight and assurance systems for reaching targets and appropriate reporting lines.

76. Delegation of authority in UNOPS is based on the principle that "authority should be delegated to the most appropriate level and should come with accountability", as set out in the Executive Operational Instruction on Delegation of Authority and Accountability[64] and is provided for in five areas of management, including human resources and finance, through five levels of delegation, in a consolidated accountability framework.[65] Delegation of authority is embedded in oneUNOPS to facilitate internal control.

77. The Inspector notes that formal training and internal certification is required for receiving delegated authority in certain areas, such as human resources or procurement. In their responses to the JIU questionnaire, the directors and heads of offices in the field generally considered the level of authority entrusted to them to be adequate. A high number of respondents to the JIU personnel survey (75 per cent) confirmed that UNOPS managers complied with the accountability standards corresponding to their level of delegated authority and responsibility.

78. A formalized system of delegation of authority is a key management tool, which is particularly crucial for decentralized organizations, such as UNOPS, whereby roles and responsibilities are dispersed between headquarters and offices around the globe. The Inspector welcomes the fact that UNOPS has a detailed formal system of delegation of authority and corresponding instruments of internal control in place. In this context, it is necessary to regularly reassess the system of delegation of authority to ensure that it meets organizational requirements. **The Inspector suggests that the implementation of delegation of authority and compliance with rules and procedures be audited periodically by the Internal Audit and Investigations Group.**

Global structure

79. Throughout its history, UNOPS has always adjusted its structure to fluctuating operations and related revenues. As UNOPS is a demand-driven and self-financed entity, its management has stated the need for flexibility in response to strategic impulses and business imperatives, not only in the field but also at headquarters. The fact that decentralization, together with the Office's self-financing nature, is one of its key features, was already highlighted in the 1998 JIU report.

80. UNOPS headquarters in Copenhagen host the majority of the Office's corporate functions, while the legal counsel and some investigation capacity are located in the New York office. UNOPS pursues decentralization to support its partners and local projects. Field offices are established only when a critical mass of projects and activities ensure sustainability and cost-effectiveness. These offices are designated as country, multi-country and project offices or clusters, depending on their functions, their thematic or geographical coverage and the

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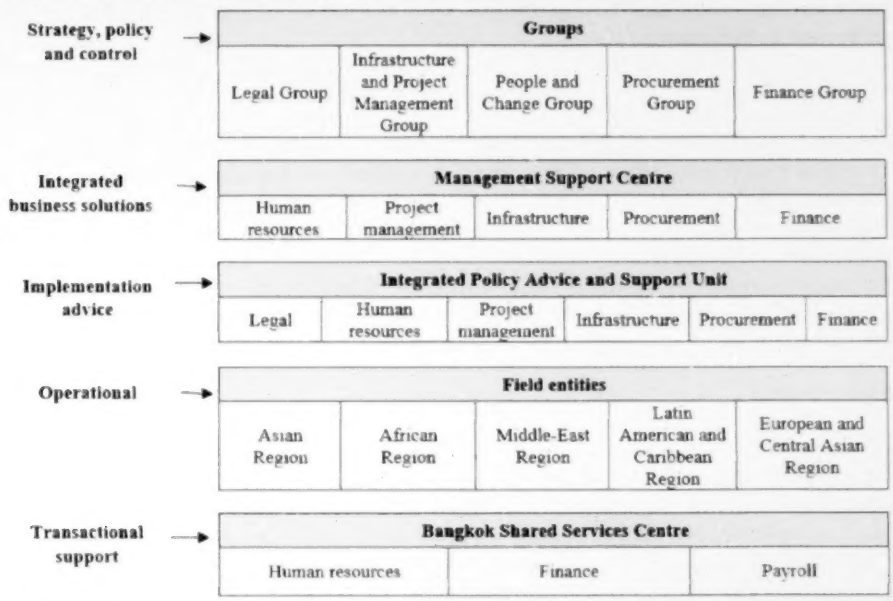
[61] JIU/REP/2011/5: Accountability frameworks in the United Nations system, executive summary.
[62] See JIU/REP/2011/5, para. 48.
[63] See A/70/5/Add.11, para. 32.
[64] See EOD.ED.2017.02, para. 2.1.
[65] EIO.ED.2018.02: Delegation of Authority and Accountability Framework.

magnitude of their portfolio. In addition, seven liaison offices situated in Brussels, Copenhagen, Geneva, Tokyo, Nairobi, Bangkok and Washington D.C. are tasked with supporting cooperation with global partners.

81. The current global structure was introduced in January 2018 in the context of the Governance, Risk and Compliance initiative (see annex III (a)). As a result, seven entities or units report directly to the Executive Director (assurance and control entities, as well as outreach-related entities) and 14 report to her through the Deputy Executive Director (headquarters groups, Management Support Centre and the Shared Services Centre, as well as the operational entities, mainly the field offices, through the regional directors). In the view of the Inspector, the different reporting lines reflect well the clear division of labour between the Executive Director and the Deputy Executive Director. While the Executive Director receives direct information on all strategic, assurance and control aspects, the Deputy Executive Director, as UNOPS chief operations officer, is directly addressed by all operational entities.

82. The restructuring was mostly triggered by the GRC initiative and its innovative approach to achieving a strict separation between strategy-setting, policymaking and control functions on the one hand, and operational and transactional functions on the other.[66] As a result, the role of corporate groups, such as the Finance Group, was redefined to focus on policy development and monitoring, and their internal capacity was adjusted accordingly. In their responses to the JIU personnel survey, about two thirds of the respondents found that the present structure corresponded to organizational requirements and was functioning effectively. Comments were made on the lack of clarity of certain elements of the structure, such as the Management Support Centre and the Quality Monitoring Unit, and the need for more explanation was emphasized. It should be noted, however, that the JIU personnel survey was conducted only a few weeks after the introduction of the structure.

Figure II: Overview of United Nations Office for Project Services global structure based on separation between strategy, policy and control functions, and operational and transactional functions



Source: Prepared by JIU.

83. The UNOPS field presence is organized by five regions, each headed by a regional director.[67] The regional offices oversee the application of policy standards and direct activities by the field entities located in

[66] Intranet announcement by the Executive Director: Updates to Corporate Structure following Governance Risk and Compliance Framework (January 2018).

[67] Africa Region (Copenhagen-based); Asia Region (Bangkok), Europe and Central Asia Region (Geneva); Middle East Region (Amman), and Latin America and Caribbean Region (Panama).

their region. They also play a role in the strategic positioning of UNOPS at the regional level and in representing UNOPS before its stakeholders. Annex III (b) describes the capacity and operational activities of the regional offices.

84. One of the challenges in managing such a decentralized structure is ensuring the coherent application of policies and practices. The review highlighted an intricate coordination and monitoring structure based on a number of formal and informal interactions and reporting modalities. Input from the field, however, also suggests a disconnect between headquarters and field entities. Directors and heads of field offices pleaded for stronger support for their activities from corporate functions.

85. Internal communication, specifically disseminating information on the Office's revised global structure and its legislative framework, is a key component of effective change management. UNOPS has various internal communication channels, including intranet, blogs and town hall meetings. The Communications Group is responsible for internal communication. In the responses to the JIU personnel survey, questions related to internal communication generated a less positive assessment than all other areas covered. Communication on the objectives of the restructuring and change management were mentioned as areas of concern. Given this feedback, the Inspector sees room for improvement in the internal communications of UNOPS management with its personnel, in particular in times of important development and change.

86. At the time of finalizing the present report, the revised global structure had only been in place for a few months. As for any restructuring, coordination among the entities concerned may require time to reach the intended objectives, and adjustments may be needed. The Inspector considers the recent restructuring as an innovative approach to streamlining internal governance and empowering managers, while at the same time, segregating policy-setting from operational and transactional activities. **To assess the effectiveness of this approach in reinforcing internal control and risk management, the Inspector recommends that the Internal Audit and Investigations Group should, with the advice of the Audit Advisory Committee, undertake a review in due course.**

Management Support Centre

87. The newly created Management Support Centre, according to its draft terms of reference as shared with JIU, will act as a technical front office in the context of seeking new business opportunities and facilitating engagement with external partners. It will work with UNOPS regional offices and partners towards tailored business solutions. Interviews with UNOPS partners confirmed that there is an interest in UNOPS further exploring modalities of cooperation, especially with non-United Nations entities. At this stage, the Management Support Centre can be seen as filling a certain gap in the corporate structure. **In the Inspector's view, the Centre's relationship with the Partnership Group and the network of liaison offices should be continuously monitored to avoid duplication or overlap**.

Shared Services Centre

88. The Shared Services Centre consolidates the Integrated Policy Advice and Support Unit (established in 2013) and the Bangkok Shared Services Centre (formerly the Global Shared Service Centre, created in 2014) under the authority of one director. As shown in figure II, the Integrated Policy Advice and Support Unit provides advice on implementing rules and processes in the areas of procurement, legal affairs, finance, human resources, administration and project management, along with infrastructure (the last area was added following a recommendation from the Board of Auditors of the United Nations in 2016).[68] The Integrated Policy Advice and Support Unit, as an intermediate element between policy owners and practitioners, has contributed to policy evolution, mainly in the area of procurement according to the examples shared with the Inspector. The Unit also plays a role in identifying gaps in knowledge and capacity at the local level that require further support from headquarters. In that sense, the Unit can be seen as a key component of constant improvement. Its role to advise on policy implementation is crucial to ensure uniformity in interpretation and consistent application of rules and procedures. Comments gathered through the JIU personnel survey pointed to some

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[68] See A/71/5/Add.11, paras. 12 and 55.

challenges in that regard, including inconsistency in interpretation of policies and procedures. Against this background, the Inspector suggests that the Unit's internal capacity should be examined on a regular basis.

89. The shift towards a model of global administrative service delivery was made in the context of the UNOPS strategic plan 2014–2017. The Bangkok Shared Services Centre (then the Global Shared Service Centre) became operational in January 2014 and was tasked with transactional operations, which were transferred to it gradually.[69] The development and launching of the UNOPS enterprise resource planning system in 2016 (oneUNOPS) was decisive for the expansion of services of the Bangkok Shared Services Centre. The services covered are in the areas of human resources (contractual administration, administration of personnel benefits, entitlements and allowance, payroll), and finance and accounting (financial transactions, maintenance of suppliers' information).

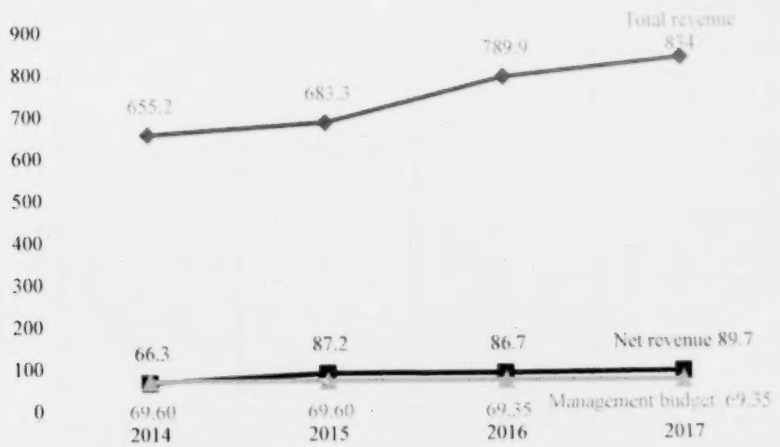
90. The Internal Audit and Investigations Group conducted an audit review of the Centre in July 2017.[70] The report on that review gave a positive assessment overall, with a recommendation to improve automation of tasks in certain areas. The report confirmed the cost-effectiveness and stressed the value-for-money in comparison to the cost for similar services provided by a United Nations partner. The Inspector appreciates that the Centre operates on the basis of internal service-level agreements based on key performance indicators for each service in terms of quality and delays, analysed on a quarterly basis. In the JIU personnel survey, respondents using the Centre's services gave excellent ratings regarding its operational capacity, the quality of services provided and efficiency gains. The consistency and fair application of standards and procedures were also rated positively.

B. Financial framework

Self-financed entity

91. As UNOPS is a self-financed entity, its revenues are based neither on assessed nor on voluntary contributions, but instead originate from the funds received from its clients for the delivery of projects and services. UNOPS business has grown considerably over the past four years (see figure III and annex IV).

Figure III: Evolution of revenues as a principal and management budget (2014–2017) (millions of United States dollars)



Source: Prepared by JIU on the basis of UNOPS financial statements for 2015 and 2016, unaudited financial statements for 2017 and further information provided by UNOPS.

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[69] For more information, see JIU/REP/2016/11: Administrative support services: the role of service centres in redesigning administrative service delivery.

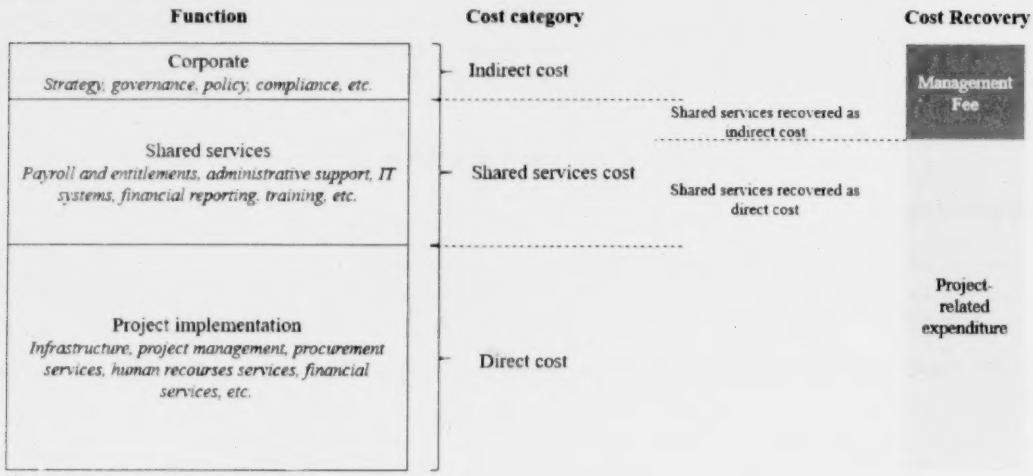
[70] IAIG/7102: Review of the Global Shared Service Centre, July 2017.

92. As noted by the Board of Auditors in its 2015 report, the value of project services increased at an average of 14 per cent per annum from 2012 to 2015,[71] with even stronger growth in 2017. In 2017, the value of its service delivery reached a total of $1.84 billion, compared to $985.6 million in 2012.[72] With the expansion of its business, revenues have grown accordingly. UNOPS management expects this strong financial performance to continue based on the business projections for the years to come. Figure III reflects UNOPS key financial figures for the period 2014–2017.

Revenue generation

93. UNOPS delivers its services on a full cost-recovery basis, as set out in its operational directive on the value proposition and cost recovery model issued in March 2018 (OD.EO.2018.01).[73] The cost-recovery model must be designed to ensure that the implementation of each project covers all costs incurred, including the use of UNOPS resources (personnel, information communication technologies (ICT), support facilities, transport, etc.). The net revenue from project activities generates the resources that enable the UNOPS management budget to assure the viability of the Office and its core functions.

Figure IV: Cost recovery model



Source: Information provided by UNOPS.

94. When charging its partners for the implementation of projects and provision of services, UNOPS uses two categories of costing: direct and indirect costs that UNOPS considers inherent to each of its engagements.

95. Direct costs, charged as absolute amounts, come in three components: (a) cost directly recovered for projects activities; (b) for shared services managed on a global level referred to as centrally managed direct costs which are associated with the corporate tools necessary for project implementation and are directly related to the project;[74] and (c) for shared services locally managed (also referred to as locally managed direct costs) relating to UNOPS providing operational support, mainly in the areas of human resources, finance and procurement.

96. Indirect costs, which are charged either as a percentage of the project cost or as absolute amounts, are those required for the management and financing of the Office and its core functions. The percentage of indirect costs is calculated according to the complexity and size of, and the risk associated with, a project. As such,

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[71] See A/71/5/Add.11, paras. 12 and 55.

[72] A/69/5/Add. 11 and preliminary figures provided by UNOPS for 2017.

[73] At the time of finalizing the present report, operational instructions and PQMS material were still under development.

[74] Such as payroll, integrated policy advice and support services, corporate liability insurance, learning and training, security, oneUNOPS, and ICT support services.

each project will have a different fee. This ensures that UNOPS recovers the required amount for its services to partners. It also ensures the financial viability of the Office and prevents cross-subsidizing small projects with the fees collected from large projects. During the review, UNOPS partners commented on and expressed concern about the high degree of variation in the percentage applied. The Inspector notes that UNOPS is currently working on a new risk management approach, including a risk matrix, to improve the logic for calculating the proportion of the fees linked to the risk of an engagement.

97. Some of the Office's partners interviewed by JIU stated the need for greater transparency in the determination of pricing components, in particular with regard to the distinction between centrally managed direct costs and indirect costs. These requests were also made against the background of the different terminology used by UNOPS compared to other United Nations entities (e.g. indirect costs instead of overheads) and a perception of being overcharged. For instance, some partners felt that the charges for centrally managed direct costs and for indirect costs constituted a double fee. Furthermore, some partners mentioned inconsistencies in the way fees were applied. The Inspector notes the perception of some partners in the United Nations system that UNOPS seems to be more open to negotiations on the management fee when dealing with non-United Nations entities. **Against this background, the Inspector considers it necessary to improve UNOPS communication with its partners on the cost recovery model and its components, in particular on how cost is calculated and processed.**

98. With regard to the cost recovery model, some UNOPS managers suggested a need for stronger internal guidance on the implementation of the pricing policy and related programme support costs. The Inspector trusts that the new operational directive and the related sections of the PQMS will clarify the matter to ensure a consistent and transparent approach towards all clients. An additional challenge results from the internal requirement to meet previously established targets for income generation, which, according to some UNOPS managers, might lead to inconsistent application of the pricing policy when concluding agreements with partners. Yet, negotiation of fees can be regarded as a common business practice and may at times be necessary to secure a project agreement.

Management budget

99. The Office's self-financing nature requires that its management budget cover all management expenditure and operational risks. It is resourced by revenue from services delivery, indirectly acquired through management fees. The budget process is based on the UNOPS Financial Rules and Regulations, reissued in March 2017.[75] Budget estimates are reviewed by UNOPS senior management, the Audit Advisory Committee and the Advisory Committee on Administrative and Budgetary Questions before being submitted to the Executive Board for approval. The budget estimates are based on estimated management revenues and an earmarked amount to cover potential provisions and liabilities. The volume of the management budget decreased in the biennium 2016–2017 compared to 2014–2015. The increase expected for 2018–2019 is related to an inflation rate calculated at about 2.5 per cent, an increase in risks provisions and the addition of $20 million for investments from the surplus in the operational reserve. Planning and allocation to UNOPS corporate functions, country office management and operations support follows an annual cycle. This process is supported by a dashboard for monitoring disbursement against agreed targets.

100. In 2017, 466 positions of the UNOPS workforce, including 117 staff posts, were funded (either fully or partially) from the management budget. All other staff posts (633) were funded from project revenues. In recent years, as noted by the Advisory Committee on Administrative and Budgetary Questions, the number of staff posts funded through the management budget has declined (366 in 2012–2013, 302 in 2014–2015, 164 in 2016–2017, 146 in 2018–2019).[76] As a consequence, associated costs in the management budget have decreased by 50 per cent over the past five years. UNOPS management explains the decrease in staff posts under the management budget as a result of its refined method to "consistently attribute direct costs of the organization to projects as appropriate", which in the view of the Inspector can be considered a positive

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[75] EOD.ED.2017.04.

[76] See DP/OPS/2017/7: United Nations Office for Project Services budget estimates for the biennium 2018–2019, Report of the Advisory Committee on Administrative and Budgetary Questions, para. 14.

achievement. Notwithstanding the decrease in staff posts under the management budget, the total number of staff posts in the Office has remained stable over the past year, as confirmed by UNOPS in its latest budget estimates.[77]

101. By using flexibility in the management of its workforce, UNOPS has increasingly established ICA positions under the management budget. The Inspector understands the financial incentives for using the ICA modality. In her view, however, the purpose of the management budget is to fund corporate core functions to enable and enhance UNOPS operations. Against this background, she questions the extensive use of this modality under the management budget. In contrast, UNOPS management maintains that the source of funding is not a criterion for deciding which contractual modality to use. In the management's view, variation in the management budget depends on the portfolio of projects and actual delivery.

102. UNOPS takes pride in the continuous decrease of its management budget. The Inspector commends the successful attempt to better identify and charge direct costs to clients, considering the self-funding nature of the Office. The management budget, however, needs to be sufficient to ensure that corporate core functions, such as policy and control, enable and enhance UNOPS operations and the achievement of the Office's strategic goals, in particular in times of strong expansion of service delivery.

Table 2: Evolution of the management budget (millions of United States dollars)

	2014–2015	**2016–2017**	**2018–2019**
Management resources	131.2	125.6	132.7 (estimate)
Other resources	8	13.1	26.6
Investments from surplus	--	--	20
Total	**139.2**	**138.7**	**179.3**

Source: Prepared by JIU on the basis of the UNOPS budget estimates and UNOPS financial statements.

103. Pursuant to the UNOPS Financial Regulations and Rules, the Executive Board approves the budget estimates with target revenues and intended costs under the management budget.[78] Considering the UNOPS business model, budget forecasts and actual figures may differ, sometimes significantly, as noted by both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors of the United Nations.[79] In this respect, the Inspector supports the Advisory Committee on Administrative and Budgetary Questions in encouraging UNOPS to improve budget projections. Furthermore, the Inspector notes the recommendation of the Board of Auditors and the acceptance by UNOPS management to obtain, post facto, the Executive Board's approval of the final figures of the management budget.

Operational reserve and investment fund

104. The establishment of an operational reserve was agreed in 1997, following a dialogue between the Executive Board, the Advisory Committee on Administrative and Budgetary Questions and UNOPS management, to protect the Office and its partners against operational risks associated with project delivery. The Executive Board decided to set the reserve minimum at a reasonable level, estimated at that time at 4 per cent of the combined expenditure of the administrative and projects budgets of the previous year.[80] Since 2012, the Office's financial performance has generated an increasing annual net surplus, with the operational reserve growing from $62.9 million to $158.6 million by the end of 2017.[81]

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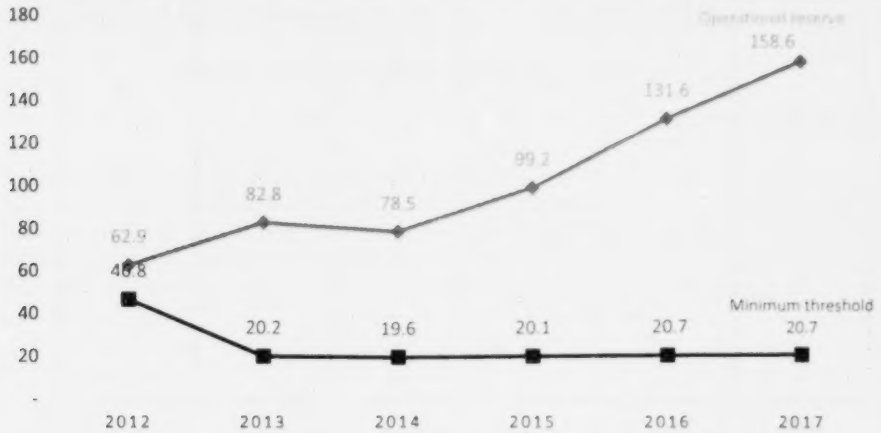
[77] See DP/OPS/2017/6, footnote 14.
[78] See UNOPS Financial Regulations and Rules, Article 14.
[79] See DP/OPS/2017/7, para. 10 and A/72/Add.11, para. 20, and unaudited financial statements for 2017.
[80] Executive Board decision 97/21 (1997). See also: UNOPS Financial Regulations and Rules, regulation 22.02.
[81] See A/72/5/Add.11, para. 11.

105. In 2013, the Executive Board changed the minimum operational reserve requirement and decided to maintain four months of the average actual management expenses of the previous three years as the new threshold. On the basis of that requirement, in 2016 the operational reserve was set at a minimum of $20.7 million.[82] Considering the difference between this amount and the actual volume of the operational reserve, the Board of Auditors has recommended on several occasions that UNOPS review its respective policy and, with the approval of the Executive Board, establish plans for the use of the reserve surplus.[83]

Figure V: Evolution of operational reserve with minimum threshold (2012–2017) (millions of United States dollars)



Source: Prepared by JIU on the basis of the UNOPS financial statements 2015-2016 and unaudited financial statements for 2017.

106. In its budget estimates for 2018–2019, UNOPS has elaborated on an overall rationale for the use of its surplus under the operational reserve to cover both contingency and strategic investments.[84] While stating that strong financial reserves are required due to its business model, the establishment of an additional budget line for investments has been proposed. The concept note shared with the Inspector proposes the establishment of a mandatory operational reserve minimum as set out by the Executive Board on the one hand, and surplus reserves (with the funds above the minimum reserve level) for strategic investments on the other, as part of the UNOPS reserves portfolio.

107. With the approval of the Executive Board, $20 million has been set aside for investments targeting the enhancement of the quality of UNOPS processes and the competencies of its personnel in the 2018–2019 management budget.[85] The Chief Finance Officer is responsible for organizing the internal investment process. In this context, the Inspector notes that the UNOPS management discontinued the Investment Fund Board and replaced it with an internal investment allocation process, with the final decision made by the Executive Director.[86] The Chief Finance Officer channels investment proposals made within the Office.

108. Taking into consideration the comprehensive review of the UNOPS operational reserve that was presented to the Executive Board in 2013 by UNOPS management, and in particular the elements of the report commissioned from KPMG,[87] the Inspector is of the view that the issue deserves to be revisited and discussed by the Board at regular intervals. A more substantial threshold of the operational reserve than currently set out may be required considering the level of risk related to the nature and magnitude of UNOPS engagements. In

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[82] See Executive Board decision 2013/33 and A/72/5/Add.11, para. 29.
[83] See A/70/5/Add.11, para. 14.
[84] See DP/OPS/2017/6, para. 100.
[85] See Executive Board decision 2017/27 and DP/OPS/2017/6, para. 100.
[86] Members are appointed by the Executive Director on an annual basis.
[87] DP/OPS/2013/CRP.1: Review of the UNOPS operational reserve.

this context, she notes the work in progress to determine the required level of contingency and the proposals for a revised UNOPS reserves portfolio.

109. The implementation of the following recommendation is expected to enhance the financial framework.

Recommendation 3

The Executive Board should revisit at regular intervals the contingency provisions under the UNOPS budget to determine the appropriate threshold of the mandatory operational reserve and take a decision on the UNOPS reserves portfolio, starting at the second regular session of the Executive Board in 2019.

C. Human resources management framework

Human resources management

110. As the Executive Director has received delegated authority from the Secretary-General of the United Nations in matters relating to human resources management, the Staff Regulations and Rules of the United Nations (ST/SGB/2009/1) apply to UNOPS personnel. In recent years, UNOPS has paid particular attention to strengthening human resources management through, among others, initiatives such as the identification of business critical roles, succession planning, talent benches and an enhanced performance management system, as was emphasized by the European Foundation for Quality Management.[88] The operational directive on human resources, ethics and culture (OD.PCG.2017.01) and the operational instruction on the personnel management framework (OI.PCG.2017.01) lay the foundations of human resources management. Chapter 7 of the Process and Quality Management System (PQMS) provides further guidance on human resources procedures (selection, retention, performance management, contract renewal/termination, benefits and entitlements, etc.). In the JIU personnel survey, 62 per cent of personnel at headquarters and 79 per cent in the field found the set of human resources management regulations and rules clear and comprehensive. Only 48 per cent of headquarters respondents and 67 per cent of field respondents, however, considered the implementation of those regulations and rules to be consistent and transparent.

111. UNOPS reports on human resources management to its governing body through the annual report of the Executive Director, including detailed information and data on the number of personnel, gender issues, turnover rates, training and financial awards, etc. UNOPS management has indicated that specific guidance on human resources management from member States is uncommon. The review of statements made at Executive Board sessions and a content analysis of Executive Board decisions has confirmed that human resources aspects are rarely addressed. The Inspector also notes that reports on human resources by the Secretary-General of the United Nations do not provide substantial information on the UNOPS workforce.

Workforce

112. UNOPS engages personnel for two main purposes: (a) to enable the Office to carry out service activities for a partner where UNOPS is liable and accountable for the personnel, its work and outputs; and (b) as a service to a partner where the personnel remain under the partner's effective management and control. The present report covers the first category only.

113. The UNOPS workforce is built on two contractual modalities. UNOPS staff members are employed through letters of appointment issued under the Staff Regulations and Rules of the United Nations while holders of individual contractor agreement are retained by agreements awarded under specific provisions, such as UNOPS directives and instructions on human resources management, its Financial Regulations and Rules, and certain procurement procedures. UNOPS applies flexibility in the determination of contract types and the funding of positions, on the basis of the requirements of its business.

114. The structure of the UNOPS workforce is characterized by a limited number of personnel having staff contracts and the majority being hired under international or local individual contractor agreements, bringing

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[88] European Foundation for Quality Management: "Recognised for Excellence feedback report: UNOPS (2017)", p.10.

in specialized expertise or support functions. In December 2017, UNOPS was managing almost 4,100 personnel (766 staff members and over 3,400 individual contractors) to ensure the functioning of the Office and delivery of its projects. The project-based and self-financing nature of the Office explains the high proportion of non-staff personnel (82 per cent). As a result of its decentralized structure, the UNOPS workforce is geographically dispersed, with 90 per cent of personnel based away from headquarters. It should be noted that the workforce evolves commensurate with the Office's portfolio of activities.

Table 3: Workforce (as at December 2017)

	Workforce		**Headquarters**		**Away from headquarters**	
Directors (excluding Under-Secretary-General and Assistant Secretary-General)	42	1%	10	2%	32	1%
Professionals (including national officers)	539	13%	55	13%	484	13%
General service	182	4%	23	6%	159	4%
Staff	**766**	**18%**	**90**	**22%**	**676**	**18%**
International individual contractors (expert/advisory functions) - IICAs	835	20%	161	39%	674	18%
Local individual contractors - LICA specialist (expert/advisory functions)	722	17%	161	39%	2 417	64%
Local individual contractors - LICA support (support/administrative functions)	1 856	44%				
Individual contractors	**3 413**	**82%**	**322**	**78%**	**3 091**	**82%**
Workforce	**4 179**	100%	412	100%	3 767	100%

Source: Prepared by JIU on the basis of information provided by UNOPS. The term "away from headquarters" refers to the total workforce minus headquarters-based personnel.

115. In the 2014 JIU report on the use of non-staff personnel, one of the key findings was that cost-effectiveness and relative flexibility are the main reasons for the significant use of non-staff personnel. In general, organizations that rely on extrabudgetary resources and project- and programme-oriented organizations use more non-staff than regular staff. Against this background, the proportion of non-staff personnel is high in organisations like such as UNDP and WFP.[89] The use of individual contractors is an important aspect of United Nations development system organizations' capacity to deliver their mandates through projects and programmes. When looking at cost-effectiveness, UNOPS staff, which represents about 20 per cent of its workforce, accounts for about 40 per cent of personnel-related expenditure, while individual contractors representing about 80 per cent of the workforce account for about 60 per cent of that expenditure. Overall, personnel-related expenditure accounts for 40–42 per cent of total revenue. This finding was confirmed by the Board of Auditors, which underlined that the use of individual contractors enabled UNOPS to keep costs down and avoid the liabilities associated with the United Nations staff model. An analysis by UNOPS showed that an international staff member would cost the Office about twice as much as an equivalent international individual contractor. UNOPS considers this modality as one of its comparative advantages for implementing its project delivery mandate.

Table 4: Personnel expenditure in 2016 (millions of United States dollars)

Total revenue (as a principal)	787.8
Total personnel expenditure	319.3
Staff-related expenditure	131.2
Non-staff related expenditure	188
Share of personnel expenditure	41%

Source: Prepared by JIU on the basis of the 2016 report of the Board of Auditors (most recent official figures available at the time of the finalization of the review).

[89] JIU/REP/2014/8: Use of non-staff personnel and related contractual modalities in the United Nations system organizations.

116. Individual contractors may be recruited internationally or locally for either expert and advisory or support functions (see table 3). Their contracts can be extended for up to four years, or for the duration of a project (whichever is longer).[90] The personnel management framework states that such contractual modalities must be limited to situations "where the personnel is not required to perform inherently United Nations activities".[91] Inherent United Nations activities are defined by UNOPS as activities requiring "the exercise of substantial discretion in applying United Nations authority and/or in making decisions for the United Nations falling into two categories: (a) the exercise of high-level authority or (b) the establishment of procedures and processes related to the oversight of monetary transactions or entitlements."[92] The Inspector considers this definition a narrow interpretation of inherent United Nations activities, which could also include policymaking, oversight, and ethics and legal functions, among others.

117. In 2014, the Board of Auditors stated that "one third of UNOPS-supervised individual contractors have been continuously engaged for at least four years, at which point UNOPS requires management approval for continuation". The Board also noted that "there was a lack of detailed specification of the positions in UNOPS that senior managers would normally expect to be reserved for staff appointments."[93] In this regard, UNOPS stated that "there may be some corporate functions carried out by individual contractors, depending on the nature and duration of the role. The guiding principle is that they do not undertake functions that are inherent to the United Nations, as defined by UNOPS." When examining roles performed by individual contractors, JIU discerned positions, fulfilling either strategic or core functions, which in the Inspector's view should be staff positions. Such positions included the chief of the Communications Group or the chief of the Partnership and Liaison Group as well as several heads of office and heads of programme in the field.

118. In addition to defining United Nations inherent functions, UNOPS has defined business-critical roles as positions that are instrumental to delivering on UNOPS commitments and strategic priorities, or to exerting a critical influence on achieving operational and strategic goals.[94] There is no rule, however, regarding the contractual modality under which these functions are to be exercised. In line with the policy prohibiting the extension of specific individual contractor agreements beyond four years, the given function is examined through a functional review to determine whether the position remains non-inherent to the United Nations and to recommend appropriate corrective action in the event that it is deemed to be inherent and continuous.[95] Based on the information available, there was no evidence that positions held by individual contractors have been converted to staff positions as a result of those functional reviews.

119. The Inspector considers the UNOPS definition of United Nations inherent functions too narrow and the definition of business-critical roles too vague to allow for a coherent approach to determining staff positions. **The Inspector recommends that UNOPS management review this issue and examine whether certain positions would qualify for staff appointments.** The Inspector welcomes the fact that UNOPS has initiated a process to review the criteria for deciding which contractual modalities to use, and that in April 2018, some positions were converted to staff posts.

120. With regard to the elements of the various contractual modalities, such as salary, benefits and entitlements, UNOPS management has initiated a series of actions to harmonize the conditions applicable to its workforce. The introduction of benefits and entitlements, including a provident fund, for individual contractors, is innovative in the United Nations system and brings the terms of these contracts closer to those of staff contracts. In 2014, JIU stated that non-staff personnel who had worked in several organizations considered UNOPS to offer the most generous arrangements. Differences between international and local individual contractor agreements persist (see annex V (d)). UNOPS management analyses the situation regularly and is considering possible changes, such as extending the duration of contracts to match that of

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[90] See JIU/REP/2014/8, para. 40.
[91] See OI.PCG.2017.1, paras. 2.5–2.10.
[92] See OI.PCG.2017.1, para. 2.6.
[93] See A/70/5/Add.11, paras. 50 and 76.
[94] See OI.PCG.2017.1, para. 4.3.
[95] See A/72/5/Add.11: United Nations Office for Project Services Financial report and audited financial statements for the year ended 31 December 2016 and Report of the Board of Auditors, page. 57. PQMS chapter 7, section 2.6 on conducting a functional review.

projects with a one-year probation period and a three-month notice period. This would avoid the need to renew short-term contracts on a frequent basis, which was one of the major concerns expressed by respondents to the JIU personnel survey.

121. The commitment of UNOPS management to improving the conditions applicable to its non-staff personnel also addresses the concerns raised by JIU in its 2014 report, which highlighted the organizational risks arising from the extensive use of non-staff contractual modalities, notably in terms of compliance with international good labour practices, administration of justice, workforce management (high rate of vacancies, talent acquisition, turnover and retention, succession planning) and operational requirements (travel restrictions, institutional knowledge).

122. UNOPS experiences a high turnover among its non-staff personnel as a result of its demand-driven and project-based nature. This was pointed out in the 2014 report of the Board of Auditors as generating a number of challenges in terms of workforce management, organizational effectiveness and potentially increased costs. Succession planning for specific positions in the UNOPS workforce is a crucial human resources issue. Against this background, UNOPS has undertaken a series of measures including identifying business-critical roles, for each of which a succession planning mechanism has been established in the form of talent benches and rosters to ensure that the organization can hire candidates in a timely and efficient manner.

123. The Inspector notes the active role of UNOPS in the CEB human resources network, in particular as the coordinator of a joint working group discussing avenues for increasing agility in the management of human resources to allow a more effective delivery of mandates. In the view of the Inspector, UNOPS has an important contribution to make based on its own human resources management model where flexibility is a key component. Building on its experience, UNOPS is well positioned in this regard.

Geographical diversity

124. The operational directive on human resources management and the personnel management framework include provisions on diversity (geographical and gender). In assessing the geographical and gender diversity of its international workforce, UNOPS does not differentiate between staff and individual contractor agreement holders. Targets are thus applied to both categories. The Inspector considers this a good practice, given the particular structure of UNOPS workforce. The approach is in line with General Assembly resolutions 53/221 and 67/255, in which the Assembly stressed that consultants should be attracted and drawn from the widest possible geographical basis.

125. UNOPS bases its assessment of geographical diversity on two categories, namely countries of the global South and those of the global North, an approach used in the Annual Statistical Report on United Nations Procurement. In the context of UNOPS, the global North is composed of the developed countries while all others form the global South. Based on the figures available for 2017, three quarters of the total UNOPS workforce, including personnel on local contracts, is from countries of the global South, where most projects are implemented (see table 5). The official assessment of the geographical diversity, however, is conducted exclusively among the Office's international workforce, as it is in other United Nations system organizations.

Table 5: Geographical diversity among the workforce and international personnel (as at December 2017)

Workforce	**Global North**		**Global South**	
All personnel (4 179)	1 018	24%	3 161	76%
Number of countries represented	33 (out of 42)		117 (out of 151)	
Internationally recruited personnel	**Global North**		**Global South**	
Directors [a]	30	71%	12	29%
Professionals	268	58%	194	42%
International individual contractors (IICAs)	460	55%	375	45%
Total within international workforce	758	57%	581	43%

Source: Prepared by JIU. [a] Excluding Under-Secretary-General and Assistant Secretary-General.

126. UNOPS has taken measures to improve geographical diversity, including proactive outreach to identify candidates, increasing oversight of recruitment processes and training managers. In 2017, UNOPS set clear targets to increase the representation of personnel from countries of the global South in international positions to 50 per cent by 2020.

127. **The Inspector recommends that the suitability of the current system, whereby UNOPS bases its geographical diversity on two categories, be examined and that UNOPS management consider applying regional criteria, as used by many other United Nations system organizations**. This could also contribute to a more balanced approach among countries within the global North and global South groups.

Gender balance

128. The UNOPS corporate gender mainstreaming policy was issued in 2013. Measures to improve the recruitment and professional development of women include enforcement of gender policy provisions by recruitment review bodies, provision of support to hiring managers, introduction of gender-sensitive management practices and implementation of specific career development initiatives. UNOPS has consequently made progress in recent years in improving the representation of women across its entire workforce (38 per cent in December 2017 compared to 31 per cent in 2013, see annex V (a)). Gender parity has been reached in the positions funded from the management budget. When examining the composition of the Office's total international workforce, however, most positions are held by men, with the exceptions being at junior levels (P-1, P-2 and level 1 of international individual contractor agreement). Only 24 per cent of positions at the director level are held by women, although the current Executive Director is female. By comparison, elsewhere in the United Nations system, at the end of 2015, women held 43.6 per cent of all posts, 42.8 per cent of professional and higher category posts and 32.8 per cent of director-level posts.[96]

129. UNOPS management has named specific obstacles with regard to gender balance in certain categories of jobs, such as engineering and construction, and jobs in hardship duty stations, to which it is difficult to attract female candidates. The Inspector notes that in the UNOPS People Survey 2016, only 51 per cent of female employees who responded said that they saw a promising future for themselves in the Office, compared to 59 per cent of male respondents. As a result, the UNOPS Gender Advisory Panel, comprising senior staff from across the Office, was established in February 2017, and has produced a series of recommendations on key priority areas, such as recruitment and outreach, mobility and retention, professional development and inclusive leadership. The Panel has become a permanent body.

130. To formalize ongoing efforts, the UNOPS Gender Parity Strategy, including key objectives and a set of enabling approaches for implementation, agreed with the Executive Board and introduced in January 2018. The target is to achieve gender parity in the UNOPS workforce as a whole by the end of 2019, within a range of 47 to 53 per cent. Specific targets have been set for each category of the international workforce for 2019–2026.

131. The Inspector welcomes the measures taken and encourages UNOPS management to continue to pursue geographical diversity and gender balance as key strategic priorities, in particular when considering senior positions. The high level of turnover among personnel offers an increased opportunity for action in this regard. The establishment of two full-time positions, a diversity and inclusion coordinator and a talent acquisition advisor, underlines the commitment of the Office in this regard. The Inspector also welcomes the establishment of specific targets on geographical diversity and gender balance set for each region and agreed between regional directors and the Executive Director, along with related key performance indicators, and considers these good practices to produce positive developments. The measures taken by UNOPS management are recognized by its personnel. The respondents to the JIU personnel survey acknowledged that UNOPS was promoting gender balance (75 per cent) and geographical diversity (60 per cent).

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[96] According to the latest figures, which are available in A/72/220.

Learning and development

132. UNOPS business model requires continuous training of its personnel. The People and Change Group is responsible for ensuring that a strategic approach is taken to learning and development. It therefore manages the training budget and consolidates and prioritizes in-house requests in a corporate learning activities plan with corresponding budgets, which are submitted to the Executive Office and the Learning Advisory Board for approval. Created in 2017, the Learning Advisory Board oversees the learning strategy and makes recommendations to the Corporate Operations Group on prioritizing investments in learning.[97]

133. In the period 2014–2017, resources for learning and development stood at about $3 million per year.[98] UNOPS considers this amount adequate to cover most of the learning needs. It represents 0.95 per cent of total personnel costs and is thus close to the typical proportion of about 1 per cent across the United Nations system. It should be noted, however, that in 2003, the human resources network of the CEB recommended that 2 per cent of staff costs should be used for training programmes as a standard.[99]

134. Training is offered to all categories of UNOPS personnel. This was well received by the respondents to the JIU personnel survey: the majority found the training and development opportunities, including internal certification programmes, to be adequate to upgrade their skills and competences (62 per cent) and adapted to their career development needs (59 per cent). Comments were made regarding insufficient training accessibility for field-based personnel.

135. The UNOPS programme of mandatory United Nations training includes a basic induction module for newcomers, the United Nations mandatory online modules on security in the field, ethics, prevention of harassment and abuse of authority, gender awareness and ICT security. This portfolio is complemented by mandatory modules required for specific practitioners in human resources management and procurement, senior managers, line managers and staff deployed in the field.

136. The Inspector observed several good practices in the areas of learning and training. These include the introduction of a standard evaluation procedure for training programmes to support decision-making on related budgets and priorities. The steps taken to measure behavioural change following training sessions constitute another innovative management approach as it not only covers the participants but also asks for feedback from their line managers.

Personnel performance management

137. UNOPS has aligned its performance appraisal process across both categories of personnel and around three key stages: goal setting, mid-year review and evaluation. The figures for the period 2014–2016 showed a completion rate of about 90 per cent for all personnel who had worked for the Office for more than six months of the performance year, with little difference between staff and contractors. Over the past few years, UNOPS management has focused increasingly on the quality of interactions between supervisors and supervisees. Responses to the JIU personnel survey on this issue were positive: 70 per cent of respondents viewed the performance results assessment (for staff) and the performance evaluation results (for individual contractors) as effective management tools to recognize individual performance. Respondents also considered that their performance appraisal had been done in a timely (85 per cent) and transparent manner (80 per cent). Fifty-nine per cent of respondents considered the current performance management system sufficiently linked to career development. During the review, however, respondents commented that performance was almost exclusively assessed against the results of business acquisition and revenue generation.

138. The General Assembly, in its resolution 72/255, approved the principles and guidelines for performance recognition, such as merit rewards, established by the International Civil Service Commission and recommended that organizations of the United Nations system utilize them.[100] UNOPS has been at the forefront

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[97] The membership of the Learning Advisory Board is identical to that of the Senior Leadership Group.
[98] Information provided by UNOPS.
[99] CEB/2003/HLCM/17: Organizational Learning Framework Overview.
[100] See also A/72/30, para. 64.

of this, leading the 2011 working group on rewards and recognition. In line with the entrepreneurial culture of the Office, UNOPS has established reward programmes for its personnel, in the form of merit reward payments and financial awards for exceptional individual and team efforts.[101] The PQMS sets out the eligibility criteria and outlines processes for reward programmes. These programmes apply equally to staff and individual contractors, provided that they have a minimum of six months of service during the performance year.[102] The key criteria for eligibility are financial performance and the completion of performance appraisals. The final decision for giving rewards is taken by the Executive Director. Reward programmes do not apply to personnel above D-2 level, partners' personnel, ICA retainers or personnel working under a lump-sum agreement. UNOPS rewards are of a financial nature only. The figures provided by UNOPS for 2016 showed a total amount of $3 million distributed among various categories of personnel (see table 6). A significant proportion of the UNOPS workforce received awards that can be seen as further evidence of the Office's business-like spirit.

Table 6: Merit reward programme (2016)

	Amount paid (United States dollars)	**Number of personnel**	**Average paid per person** (United States dollars)
Directors	72 000	24	3 000
Professionals and international individual contractors	1 483 000	856	1 732
Local individual contractors (specialist)	592 000	497	1 191
Local individual contractors (support)	859 000	1 450	592
Total	**3 006 000**	**2 827**	

Source: Prepared by JIU on the basis of information provided by UNOPS.

139. The Inspector welcomes these reward programmes as a good management practice and an incentive for high performance of the workforce. Given the nature of UNOPS activities, the recognition of exceptional individual and team efforts is a positive addition to the existing performance appraisal system, provided the reward programmes are based on well-defined criteria and applied through a transparent process. This is particularly useful in organizations like UNOPS, where personnel have limited opportunities for career development.

Staff representation

140. The representation of UNOPS personnel is based on a series of institutionalized mechanisms. The Staff Council for UNDP, UNFPA, UN-Women and UNOPS, which is based in New York, represents all personnel categories. The Inspector notes that in recent years, membership of the Council has not included a UNOPS representative. JIU was informed that UNOPS personnel had brought very few cases before the Council in recent years. The constitution of the Staff Council allows for the creation of local personnel associations. On that basis, a personnel association has been established in Copenhagen to voice the interests and concerns of headquarters-based UNOPS personnel. In theory, local personnel associations under the Staff Council are competent to represent UNOPS personnel at field locations. In the JIU personnel survey, 37 per cent of respondents stated that they were not aware of any personnel representation services and only a minority (45 per cent) agreed that personnel representatives supported complaints and grievances in their relations with management. **Against this background, the Inspector suggests that UNOPS management take appropriate measures to raise the level of awareness of the modalities for staff representation.**

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[101] See OI.PCG.2017.01 on Personnel Management Framework, para. 10 and PQMS chapter 7, section 9.

[102] International Civil Service Commission principles are applied in the calculation of rewards, with the only exception being that the funding amount for UNOPS is based on net revenue and not remuneration costs. The maximum amount for merit rewards cannot exceed 20 per cent of UNOPS net revenue, and is contingent on the operational reserve being above the mandatory level. With a net revenue of $31.3 million in 2016, merit awards could have been paid up to $6.3 million in 2017.

141. UNOPS management considers its dialogue with personnel representatives effective and constructive. There is, however, no institutionalized mechanism to ensure regular consultations between UNOPS management and personnel representatives on personnel-related issues. According to information received, UNOPS management will enter into an ad hoc consultation process with internal stakeholders and open a dialogue with the personnel representations, either through the Staff Council in New York or the personnel association in Copenhagen, if a revision of human resources policies is intended. Only 38 per cent of respondents to the JIU personnel survey said they felt that personnel representatives were appropriately consulted by management on major decisions affecting personnel, while 40 per cent of respondents did not express an opinion on the matter. Many respondents made comments about uncertainty regarding follow-up to discussions with personnel representatives.

Table 7: Responses of UNOPS personnel to the statement: "I am aware of the availability of the following personnel representation services"

	All Respondents	Headquarters	Away from headquarters
Staff Council	46%	57%	44%
Copenhagen personnel association	27%	66%	20%
Local personnel association	27%	20%	29%
None of the above	37%	21%	39%

Source: JIU survey of UNOPS personnel.

D. Administration of justice

Informal conflict resolution

142. When it comes to mediation and informal conflict resolution, UNOPS relies on the Office of the Ombudsman for United Nations Funds and Programmes, which is competent for all categories of UNOPS personnel. The Ombudsman visits Copenhagen and field locations to hold information sessions. According to available information, the number of cases submitted by UNOPS personnel is lower than that of other funds and programmes (fewer than 100 cases for the period 2014–2016). The types of issues on which cases are submitted are, however, similar to those submitted by personnel from other organizations; the majority come under the "evaluative relationship" and "legal, regulatory and compliance" categories. Of the respondents to the JIU personnel survey, 63 per cent from headquarters and 42 per cent from the field were aware of the existence of the services of the Ombudsman. In view of these numbers, there may be room to raise awareness of this important function. When interviewed, representatives of the Office of the Ombudsman suggested using the UNDP "demystifying the Ombudsman" programme as a model, since both organizations presented similarities in terms of strong field presence.

143. In 2017, in an effort to strengthen informal conflict resolution, UNOPS established a network of peers trained to mediate in office disputes and, where mediation is not feasible or appropriate, conduct preliminary assessments to advise the director of the People and Change Group on whether the Internal Audit and Investigations Group needs to be involved. Based on the information received, the Inspector observes a balanced approach in the composition of the network with due regard to gender balance, regional representation and language skills. It should be noted, however, that the vast majority of network members are at the middle and senior management levels and, although they come from different regional offices, they originate mainly from the global North. Covered by the PQMS, this mechanism is still at an early stage, with only three cases acted on thus far. UNOPS management is confident that it will develop and find its purpose, despite its potential limitations, which include being perceived as biased since it is managed by the People and Change Group, as well as the level of confidentiality required and the possible impact on working relations within business units. **In the view of the Inspector, such a network of peers constitutes a useful instrument to contribute to informal conflict resolution at an early stage. Its impact should be assessed after two years of practice.**

Formal conflict resolution

144. UNOPS falls under the jurisdiction of the United Nations Dispute Tribunal and the United Nations Appeals Tribunal. These tribunals only accept claims from individuals holding letters of appointment issued under the Staff Regulations and Rules of the United Nations. The Inspector notes that the number of applications filed by UNOPS staff before the Dispute Tribunal is very low. This may be regarded as a reflection of the UNOPS organizational culture and positive working environment, as well as the result of successful informal conflict resolution.[103] That notwithstanding, the vast majority of UNOPS personnel are individual contractor agreement holders and therefore have to rely on other formal dispute settlement mechanisms. These are incorporated into the general terms and conditions of their contracts and relate mainly to arbitration under the rules of the United Nations Commission on International Trade Law. No cases have been filed in recent years. Respondents to the JIU personnel survey expressed dissatisfaction about the lack of access to United Nations tribunals. UNOPS management indicated that it was considering alternative channels for hearing individual contractors' grievances.

E. Information and communications technology

Governance and strategy

145. The operational directive on ICT and digital systems management provides an overview of the key principles underpinning the management of digital systems, services, software, application and resources.[104] In 2016, the recruitment of a Chief Information Officer was concomitant with the ICT function's transition to operating at the strategic level as a business partner with a capacity for long-term analysis, notably for investments and innovative solutions. The ICT unit has been placed under the Finance Group, given a business architecture dimension and attributed a broad set of responsibilities to include not only services provision but also strategic analysis.

146. UNOPS has redesigned its ICT governance framework with the support of an external consultancy. The framework now comprises an ICT Strategic Advisory Board, which reports to the Executive Director, and the ICT Operational Governance Panel, which addresses operational aspects regarding the delivery on ICT initiatives and reports to the Strategic Advisory Board. The Board is responsible for alignment of the ICT strategy with the UNOPS strategy, and for ICT risk management and programme and project oversight. It recommends resource allocations and investments.[105] The composition of the Board and the Panel reflects the decentralized structure of the Office, with headquarters, regional and field representation included (in some cases on a rotational basis). UNOPS is currently finalizing a new ICT strategy, to be issued by the end of 2018. **The Inspector recommends that the ICT strategy be reviewed regularly to ensure its alignment with business requirements**.

147. In response to the JIU personnel survey, many comments were made on the lack or inadequacy of certain ICT equipment in field offices. During the interviews, managers and other personnel further stressed the need for greater investment in ICT, notably regarding connectivity in the field and state of the art equipment, among others. **The Inspector recommends that both the Board and the Panel carefully review the matter and take appropriate decisions for future investments**.

Enterprise resource planning system

148. In 2016, UNOPS separated from the Atlas enterprise resource planning system managed by UNDP and created its own system, oneUNOPS, which was designed in-house to match the business requirements of the Office. The review confirmed that the new system managed most workflows internally and had embedded a mechanism for internal control through verification and validation by higher-level managers. According to UNOPS management, the new system has resulted in significant gains in terms of functionality and ability to

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[103] Number of cases filed by UNOPS staff before the United Nations Dispute Tribunal: none in 2014; three in 2015; and three in 2016.

[104] OD.FG.2018.02: ICT and Digital Systems Management.

[105] Draft terms of reference for the Board and the Panel were shared with the Inspector.

improve the efficiency and effectiveness of UNOPS service provision. While Atlas covered less than 50 per cent of the Office's internal processes, oneUNOPS covers more than 75 per cent of the required functionalities. In the JIU personnel survey, the vast majority of respondents (75 per cent) confirmed that oneUNOPS had facilitated administrative workflows, procedures and access to information in day-to-day work, and that it has strengthened the integrity of the control and risk framework.

149. UNOPS has invested $9.1 million in licensing, implementation and maintenance of oneUNOPS. The overall assessment made by UNOPS management is very positive, despite some challenges connected with the departure from the Atlas system regarding, among others, legacy information and higher transactional costs generated by some partners using Atlas or other systems. The separation also led to a loss of information on past projects and related documentation. UNOPS management expects a total cost recovery from the implementation of oneUNOPS by mid-2019 and further budgetary savings and reductions in ICT costs (annual cost savings are estimated at $2.6 million). The Board of Auditors reviewed of the status of implementation of oneUNOPS in 2016 and concluded that oneUNOPS had resulted in a marked improvement in the coverage of UNOPS processes and functionalities.[106]

150. Over the past two years, UNOPS has improved the stabilization and performance of its enterprise resource planning system through, for example, the addition of new functionalities, including fraud detection functionalities and more robust workflows for document approvals and electronic approvals. Taking into consideration comments from respondents to the JIU personnel survey, the Inspector sees room for improvement with regard to a few challenges such as reliability and user-friendliness of the system and increased support from the ICT team. The success of the enterprise resource planning project should be underlined. It also provides an opportunity for UNOPS to promote the system as a product to other organizations. In this context, the Inspector notes the solutions that UNOPS has offered to the Organization for the Prohibition of Chemical Weapons for the establishment of a new enterprise resource planning system.

Knowledge management

151. Knowledge management is particularly significant for UNOPS considering its project-related activities, and the considerable turnover of personnel. Comprehensive information, including lessons learned, from the design and implementation of projects constitutes an indispensable body of knowledge to be preserved for future activities as well as for efficiency savings. At the time of the JIU review of knowledge management in the United Nations system,[107] UNOPS did not have a knowledge management strategy or any specific policies and structures in that regard. In 2017 the European Foundation for Quality Management identified effective cross-learning and knowledge exchange as an area for possible improvement.[108] In its strategic plan for 2018–2021, UNOPS has identified knowledge management as a corporate priority.

152. Following a knowledge mapping exercise to learn about knowledge assets, weaknesses and gaps, UNOPS identified three main deliverables: (a) corporate skills mapping to identify the most relevant skills; (b) a modern knowledge management and sharing platform; and (c) the integration of an enterprise portfolio and project management system and an enterprise risk management system. UNOPS subsequently initiated the preparation of an organization-wide knowledge management strategy. Based on the results of that assessment, an advisory board on knowledge management is being established under the auspices of the Corporate Operations Group and composed of the heads of the Procurement Group, Partnership and Liaison Group, People and Change Group, Finance Group and the regional directors. A knowledge management team is working on rolling out this initiative with the Chief Information Officer and the Head of the Infrastructure and Project Management Group, who have both been appointed to oversee implementation. All these measures are largely in line with recommendations 1, 3 and 4 of the 2016 JIU, which were addressed to UNOPS management.

153. The Inspector notes with interest that UNOPS has adopted a coherent cross-organizational approach by nominating focal points in each unit, who dedicate 20 per cent of their work time to knowledge management,

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[106] See A/72/5/Add.11, paras. 52–58.

[107] JIU/REP/2016/10: Knowledge management in the United Nations system.

[108] European Foundation for Quality Management Recognised for Excellence feedback report: UNOPS (May 2017), pp. 9–10.

rather than creating a specific, dedicated unit. The Inspector considers this approach a good alternative to the creation of a stand-alone knowledge management unit, as previously suggested by JIU. The four-year knowledge management road map sets the objective of transforming UNOPS into a learning organization with knowledge management embedded throughout its processes and organizational culture. The ambitious goals of the knowledge management strategy are an important step for building an organizational culture of knowledge-sharing and retention.

154. UNOPS has several knowledge-sharing initiatives and mechanisms in place. An intranet-based community has been established to share knowledge and advice in an ad hoc manner. At the project level, managers communicate lessons learned and hand over files when closing a project. The Integrated Policy Advice and Support Unit, which advises on the correct implementation of UNOPS policies and processes, contributes to knowledge-sharing and increased policy compliance. Overall, the respondents to the JIU personnel survey said that they found the policies and tools supporting those initiatives to be satisfactory for ensuring adequate knowledge management and knowledge-sharing (65 per cent). Headquarters-based respondents were more critical of knowledge management, however, in particular from the perspective of assessing organizational culture (only 34 per cent of statements were positive).

V. STRATEGIC PLANNING AND BUSINESS MODEL

A. Strategic planning

155. Given its special features as a self-financed and demand-driven entity, UNOPS has developed a comprehensive strategic planning process. At the corporate level, the main elements are the four-year strategic plan and its midterm review, prepared by UNOPS executive management and adopted by the Executive Board. The plan is based on the strategic context in which UNOPS operates, its implementation mandate and its goals for the coming four years. UNOPS places its work in the context of the latest global agreements, in particular the 2030 Agenda, the quadrennial comprehensive policy review of operational activities for development of the United Nations system, the Secretary-General's vision for the United Nations system and his three key priorities for making the United Nations system more effective and responsive in supporting member States' objectives of achieving peace and sustainable development. The strategic plan also includes a description of the Office's operational context and strategic goals. The plan elaborates on three contribution goals (how UNOPS operations add value externally) and four internal management goals (expressing the Office's ambition for excellence and performance).

156. UNOPS management supports the implementation of the strategic plan using a series of instruments, including biennial budget estimates, an annual business plan and a series of annual internal target agreements with offices and entities across the organization. The business plan is cascaded down the organization while the regional offices develop and monitor specific business plans for field offices in their regions. To facilitate the implementation of the strategic plan 2018–2021, UNOPS management is exploring the feasibility of developing a four-year internal business plan, as mentioned in the operational directive on strategy-setting issued in 2018.[109]

157. The corporate strategy function is hosted within the Partnership and Liaison Group. The process envisages a thorough analysis of UNOPS business environment and a consultative phase with member States and other stakeholders (e.g. the Strategic Advisory Group of Experts and the Audit Advisory Committee). Key elements for monitoring strategy implementation are the midterm review, the annual reports of the Executive Director presented to the Executive Board and the quarterly business reviews of performance against internal targets. UNOPS management considers the midterm review particularly useful for setting priorities for the remaining period of the current strategic plan and for preparing the following one.

158. The Executive Director's annual report on progress made in implementing the strategic plan contains detailed information on operational and management results. In a results framework annexed to the report, comprehensive information and indicators are provided by subject area. The Inspector considers this a good practice as it allows Executive Board members to monitor and assess various aspects of the activities of the Office and its management in implementing the strategy. The Inspector suggests improving the reporting by including more detailed information on baselines and targets and notes that an indicator compendium is being developed.

159. Another good practice relates to the internal Quarterly Business Review process, which is a mechanism for UNOPS senior management to assess the collective performance of the Office, based on consolidated corporate business information. In this context, it is expected that oneUNOPS will contribute to further improving corporate reporting and business intelligence through the consolidation of quantitative and qualitative information on business activities at all levels. This would reinforce the Quarterly Business Review as an internal mechanism for early review and corrective measures.

160. Since 2016, the annual report of the Executive Director has been presented in line with the Global Reporting Initiative (GRI) and its standards focusing reporting on sustainability topics. UNOPS has stated that the use of the Global Reporting Initiative highlights the Office's commitment to complying with leading standards. A review of the annual report, and in particular the annexes containing the general disclosure standards, confirms the value of their application. In the view of the Inspector, this reporting provides comprehensive and comparable information, using a series of indicators, to member States and other

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[109] OD.ED.2018.01: Strategy setting.

stakeholders. Furthermore, the Inspector considers reporting on results aligned to the GRI sustainability standards to be a very good model for communicating performance and achievements that may be adopted by other organizations for their annual reporting to their governing bodies.

B. Business model

UNOPS services

161. The UNOPS strategic plan 2018–2021 elaborates in detail on the Office's mandate for implementation, its unique business model, advantages, key features, partners and the continuous evolution of its services.[110] Upon request, UNOPS makes its expertise and its resource capacity available for realizing its partners' programmes. Within the United Nations system, UNOPS can manage implementation on behalf of its partners as they focus on their normative mandates. The operational directive on UNOPS value proposition emphasizes that services are delivered on a full cost-recovery basis and categorizes business offers into five lines of service: infrastructure, procurement, project management, human resources management, financial management, and other management and shared services. Under each category, the Office proposes three types of services: advisory, implementation and transactional (the latter not offered for infrastructure and project management, see annex VI).[111] The potential of UNOPS contributions to add value for its partners has been increasingly recognized by the General Assembly, the Economic and Social Council and the Executive Board.[112] Feedback from the 2016–2017 UNOPS Partner Survey suggests that government partners seem to anticipate a particularly high demand for UNOPS advisory services, while transactional services, especially for human resources management, seem to be particularly attractive to partners in the United Nations Secretariat.[113] Table 8 provides information on the breakdown of UNOPS services and project-related expenditures in 2017. Annex VII (a) provides further details on the evolution of respective service lines for the years 2015–2017, showing that the structure of the portfolio has remained relatively stable with procurement and infrastructure services growing at above average rates.

Table 8: Project-related expenditures by service line (2017)[114]

Service lines	Amount (millions of United States dollars)	Percentage
Procurement	667.3	36.3
Infrastructure	454.4	24.7
Financial management	390.2	21.2
Human resources management	245.4	13.4
Project management	73.5	4
Other management and shared services	7.3	0.4
	1 838.1	100

Source: Prepared by JIU on the basis of information provided by UNOPS.

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[110] DP/OPS/2017/5.

[111] OD.EO.2018.1: Value proposition and cost recovery model.

[112] In resolution 65/176, the General Assembly of the United Nations reaffirmed the role of the United Nations Office for Project Services as a central resource for the United Nations system in procurement and contract management as well as in civil works and physical infrastructure development, including the related capacity development activities, and recognized the potential for value-adding contributions that the Office could make in providing efficient, cost-effective services to partners in the areas of project management, human resources, financial management and common or shared services. In its decision 2004/15, the Executive Board encouraged all United Nations entities, and UNDP in particular, to work closely with UNOPS, especially in the field of common services, in situations where UNOPS was cost-effective and had comparative advantages. In its decision 2012/16, the Executive Board encouraged UNOPS to further mainstream the national capacity development agenda in the competency areas where it had a mandate and a recognized comparative advantage, namely, project management, infrastructure and procurement, including through the use of local resources. In decision 2013/23, the Executive Board called on the United Nations system to actively seek efficiency gains through greater collaboration, taking into account the competitive advantage of UNOPS in its mandated areas of expertise: procurement, infrastructure and project management, including provision of implementation, transactional and management advisory services. In its decision 2017/26, the Executive Board urged entities of the United Nations system to recognize the comparative advantages and technical expertise of UNOPS and engage in collaborative strategic partnerships for efficiency and effectiveness, including at the country level.

[113] See DP/OPS/2017/5, annexes.

[114] Including expenditures of partner projects that recorded an annual delivery of $50,000 or more.

162. UNOPS provides services for its partners on a global basis, with activities in over 100 countries in 2017, and by implementing about 1,000 projects annually, categorized by sector in line with the OECD Common Reporting Standards classification (conflict resolution, peace and security, basic health, education, emergency response, environmental protection, health, social infrastructure and services, development food aid, government and civil society, population policies and reproductive health and multisectoral and other projects). UNOPS raises most of its revenues in the areas of conflict prevention and resolution, and peace and security, especially implementation of the programmes of the United Nations Mine Action Service ($250 million in 2017). The second important sector is basic health, in which UNOPS is implementing among others the programmes of the Global Fund to Fight AIDS, Tuberculosis and Malaria ($128 million in 2017). These two sectors are also the largest in relation to UNOPS overall net revenues. Annex VII provides detailed figures on the evolution of services according to the main sectors for the years 2015–2017. The demand-driven nature of UNOPS business is reflected in the fluctuation within certain sectors from one year to another and the corresponding net revenues generated.

UNOPS partners

163. Since its creation, the Office has gradually expanded its client basis (see table 9). As a result, in 2017, partners in the United Nations system represented about 32 per cent of the UNOPS delivery portfolio, while national Governments accounted for 41 per cent. Annex VII (c) and (d) provide detailed information about the share of UNOPS partners in its portfolio for the years 2015–2017. Although the share of the United Nations system in UNOPS delivery portfolio has declined, it is still the largest partner group from a net revenue perspective ($34.5 million net revenue from $583.1 million expenditure in 2017, as compared to $32.2 million net revenue from $756.6 million expenditure from services carried out for national Governments). Since 2017, the Office's main clients have been national Governments. UNOPS management attributes the relative differences between net revenue and expenditure to the high volume, low complexity and associated risk of services requested by Governments, compared with services requested by the United Nations system partners, which have a different service mix, higher complexity and associated risks, and often need to be performed in difficult operational environments. Apart from the United Nations system and national Governments, other partners include multilateral institutions, trust funds, intergovernmental organizations and international financial institutions.

Table 9: Project-related expenditures by partners (2017)

Partners	Amount (millions of United States dollars)	Percentage
Governments	756.6	41.2
United Nations	583.1	31.7
Multilateral institutions	179.7	9.8
Trust funds	156.1	8.5
Intergovernmental organizations	66.6	3.6
International financial institutions	50.8	2.8
Other <50 million	45.2	2.5
	1 838.1	100

Source: Prepared by JIU on the basis of information provided by UNOPS.

164. With its partners in the United Nations system, UNOPS works under the United Nations agency to United Nations agency contribution agreement for general or specific engagements. In addition, it has memorandums of understanding with several United Nations system organizations. Some partners, such as the United Nations Secretariat, UNDP, the United Nations Human Settlements Programme (UN-Habitat) and the World Bank, cooperate with UNOPS under an umbrella agreement complemented by separate financial agreements signed

for specific projects.[115] Agencies such as UNICEF and UNFPA do not have such an agreement; their cooperation is covered by local agreements. UNOPS has also signed memorandums of understanding and long-term partnership agreements with several private and academic partners (see annex VIII).

165. Discussions are currently ongoing between the United Nations Secretariat and UNOPS to review the existing framework for cooperation. UNDP is engaged in high-level discussions on the revision of its framework agreement with UNOPS. The World Health Organization (WHO) is currently assessing its client relationship with UNOPS at various levels by surveying its country offices and reviewing the modalities of its cooperation with the Office. In this context, UNOPS partners have mentioned a list of issues for review, which include returning unspent funds, reporting on financial matters in line with donors' requirements, and reviewing the pricing policy. The Inspector is of the view that a regular review process constitutes a good practice for adjusting agreements to business requirements, discussing issues of concern and thereby helping to improve the relationship between the contracting parties.

166. Wherever possible, UNOPS partners benchmark the Office's project proposals against those of competitors from the United Nations system or beyond. There are, however, other determining factors for choosing UNOPS as a service provider. Agreements are concluded despite the fact that UNOPS proposals do not always correspond to the "best" offer in terms of lowest total cost. Partners interviewed by JIU, considered, however, that in terms of value, UNOPS guarantees a high degree of achievement particularly in difficult environments, considering its proven records of reliability. In their view, the higher cost can be justified by a lower level of risk. In some cases, partners are bound to rely on UNOPS as it is the only provider of services in some high-risk environments. These interviews show that, in some circumstances, the notion of competitiveness is relative.

167. In its value proposition, UNOPS emphasizes its operational excellence, its technical expertise based on international norms and standards, and its experience and impartiality. The review confirmed that these are perceived by UNOPS partners as organizational strengths. In interviews with JIU, partners generally provided positive feedback on UNOPS. They identified the following characteristics as crucial in their selection of UNOPS for the delivery of services; (a) the ability to operate in higher risk environments where options for other implementing partners were limited; (b) the capacity to scale operations up and down rapidly according to clients' or partners' requirements and unforeseen circumstances; and (c) strong project management expertise ensuring high rate of delivery. Several partners considered UNOPS to be a critical component in the success of their own operations. The Office's appetite for innovation was also acknowledged, as was the fact that it was a one-stop shop for a wide range of services.

168. Furthermore, partners both within the United Nations system and beyond described UNOPS affiliation with the United Nations as a comparative advantage. In this context, United Nations system clients regarded familiarity with the United Nations administrative and operating procedures to be an important factor. For non-United Nations partners, the Office's neutrality and project management expertise, as well as the United Nations branding, were mentioned as deciding factors. These statements show that belonging to the United Nations system gives UNOPS a privileged status in comparison to external competitors.

169. In their interviews with JIU, UNOPS partners did, however, suggest the following areas for improvement: (a) ensuring timeliness and quality of reporting in accordance with the requirements of partners; (b) reducing delays in recruitment processes; (c) taking a more proactive approach to announcing changes in internal procedures that affect clients' projects; and (d) improving budgetary procedures. The turnover rate of UNOPS personnel was also mentioned as a potential challenge, in particular in respect of knowledge management or delays in delivery. While the consistent exercise of due diligence and the client-oriented culture of UNOPS were mostly acknowledged, clients also stressed the need for UNOPS to strengthen its own internal capacity to better perform at a level that met their partners' expectations, in particular when operations were scaled up. Many critical comments were made with regard to UNOPS pricing policy.

170. UNOPS conducts an annual Partner Survey to receive feedback on its services. In 2017, the survey consisted of more than 500 interviews with representatives of current, past and prospective partners, chosen

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[115] A list of framework agreements is available in annex VI.

from among the various categories of partners and from all regions. In 2016 and 2017, the assessments of UNOPS and its services that were gathered through the surveys were generally positive. The data collection for the survey is currently self-administered by UNOPS (mainly interview-based) while the analysis is outsourced. The Inspector considers the collection of feedback from partners a good practice. **In her opinion, however, UNOPS would benefit from redesigning the Partner Survey, possibly by outsourcing the entire process (design, conduct and analysis).** Surveys undertaken by external providers generally generate more open feedback and improve the credibility of the organization. Outsourcing the Partner Survey would assist UNOPS in further identifying and addressing challenges in its relationships with partners. The Inspector notes that UNOPS management is considering supplementing the Partner Survey for 2018 with a series of in-depth interviews with key partners.

171. With the encouragement of the General Assembly and the Executive Board, UNOPS has successfully diversified and expanded its business, both to new partners and across new service lines.[116] In line with its terms of reference, the Strategic Advisory Group of Experts has an important role to play by advising the Executive Director on strategic issues such as the evolution of UNOPS global priorities and development landscape, marketplace trends and growth opportunities. At the same time, in a recent decision, the Executive Board reiterated its encouragement of the United Nations system "to recognize the comparative advantage and technical expertise of UNOPS and to engage in collaborative strategic partnerships for efficiency and effectiveness, including at the country level".[117]

172. When asked, in the JIU questionnaire, about an expansion of UNOPS business, directors and heads of UNOPS offices expressed a preference for UNOPS to expand its partnerships with all types of partners, except non-governmental organizations. The organizations of the United Nations system and Governments were considered to be "standard partners". The respondents expressed concern about a possible decrease in demand from, and increase in competition within the United Nations system. There were mixed responses to the questionnaire with regard to the private sector. Respondents considered all UNOPS service lines to be suitable for expansion, with emphasis on project management and infrastructure.

173. UNOPS is proactive in market exploration and business acquisition. This approach is a sensitive issue for some partners in the United Nations system who, in the interviews, perceived the Office as a competitor and at times viewed it as interfering with their own mandates. Some regarded UNOPS as competing for the same resources. In its response to the JIU questionnaire, UNOPS stated that "at times, short-term considerations and institutional incentives may preclude other United Nations organizations from making strategic business choices to truly leverage the comparative advantage UNOPS can bring to their operations". Against this background, the Inspector sees benefit in increasing the strategic dialogue between UNOPS management and its partners in the United Nations system. The statement made by JIU Inspectors in 1998 regarding more effective cooperation and partnership between UNOPS and United Nations organizations through a sharper division of labour based on respective comparative advantages thus optimizing complementarities in pursuing their mandates, therefore remains valid.[118] Since 1998, the advantage of UNOPS for implementation and management support services has been emphasized in a number of external studies and reviews, including those prepared by the High-Level Independent Panel on Peace Operations,[119] a study

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[116] In its resolution 65/176, the General Assembly recognized the potential for value-adding contributions UNOPS could make by providing efficient, cost-effective services to partners in the areas of project management, human resources, financial management and common or shared services. In its decision 2013/23, the Executive Board called on the United Nations system to actively seek efficiency gains through greater collaboration, taking into account the competitive advantage of UNOPS in its mandated areas of expertise: procurement, infrastructure and project management, including provision of implementation, transactional and management advisory services. In its decision 2016/12, the Executive Board encouraged UNOPS to continue its efforts to facilitate partnerships between the public and private sectors in the realm of sustainable social impact investment.

[117] Executive Board decision 2017/26: UNOPS strategic plan, 2018–2021.

[118] See JIU/REP/98/5, para. 4.

[119] See A/70/95-S/2015/446, para. 224.

by the United Nations Development Group,[120] and a study by the Centre on International Cooperation reiterated those conclusions.[121]

174. The 2016 report of the United Nations Development Group presented information on UNOPS as an active member, at the principal and the regional levels and within the United Nations country teams. The Inspector sees the engagement of UNOPS in the Development Group framework as an important element to ensure coherence within the system and as a possible avenue for promoting UNOPS services at local level. With regard to the United Nations Resident Coordinator system, the Inspector notes that UNOPS is fully compliant with its obligations in United Nations Development Group cost-sharing.

UNOPS and the private sector

175. Through the social impact investing initiative (S3I) UNOPS is exploring opportunities for increasing its partnerships with the private sector. Since 2016, feasibility studies undertaken by UNOPS and Deloitte have assessed areas suitable for such investment and confirmed interest from potential institutional investors in the impact investments that UNOPS proposes. The interviews conducted by JIU and the responses from UNOPS directors and heads of field offices to the JIU questionnaire, show that there was consensus regarding the need for a cautious approach when initiating innovative activities with private sector entities. **Considering the potential magnitude of risks related to such investment projects, the Inspector recommends maintaining a cautious approach before committing to any concrete activities.**

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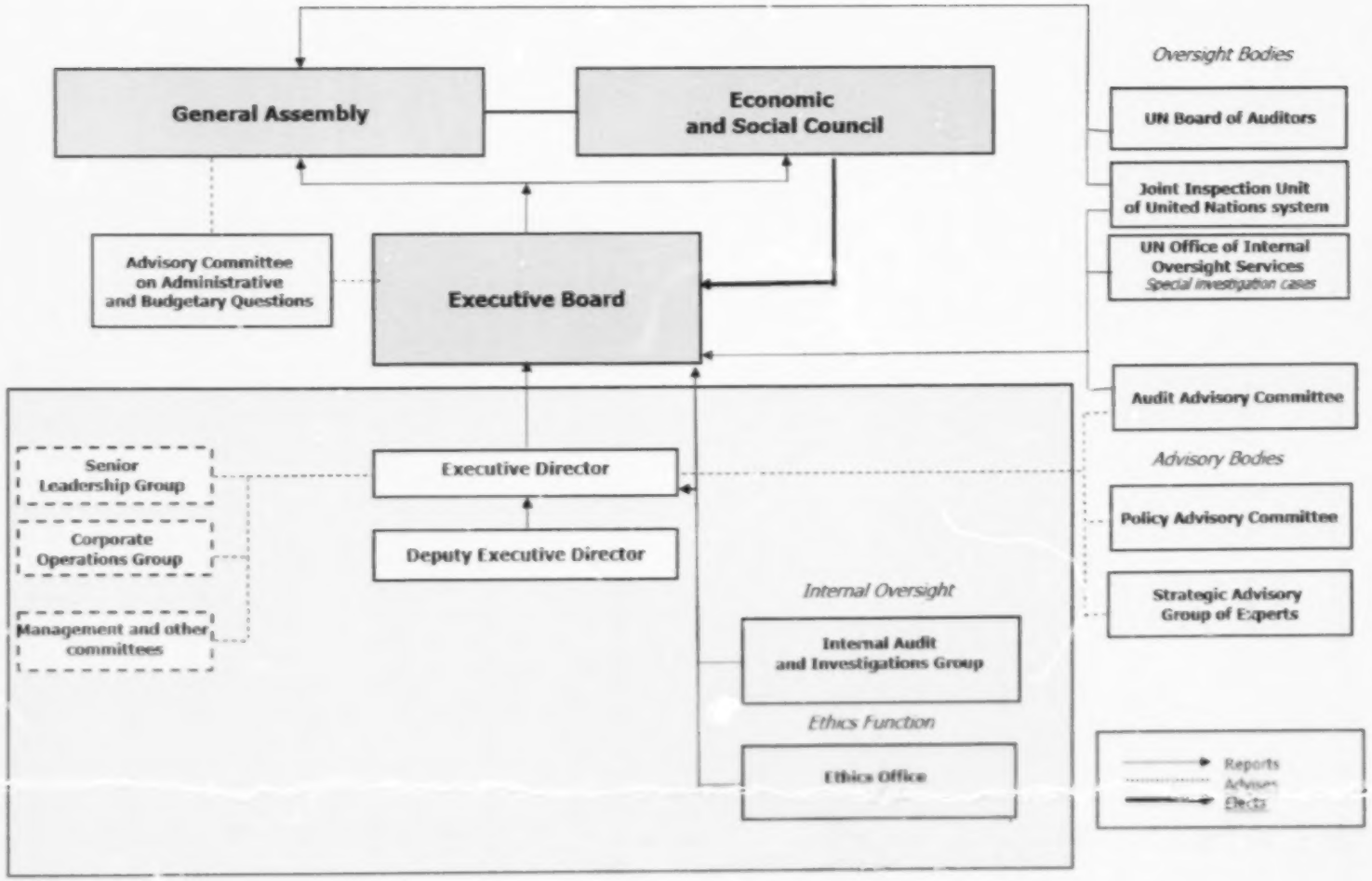
[120] *Constraints Analysis for Common UN Business Operations at the Country Level* (New York, May 2016).

[121] *Restructuring the United Nations Secretariat to strengthen preventative diplomacy and peace operations* (New York, Centre on International Cooperation, February 2017) p. 32.

Annex I: Governance and oversight framework



Source: Prepared by JIU.

Annex II: Oversight modalities and figures

a) Oversight bodies: reporting modalities and management responses

	Reporting modality	Management response
Internal Audit and Investigations Group	Annual activity report presented to the Executive Director and submitted to the Executive Board	UNOPS management response publicly available on the website of the Executive Board
Board of Auditors	Annual report submitted to the General Assembly of the United Nations and the Executive Board	Report by UNOPS management on implementation of the recommendations of the Board of Auditors to the Executive Board
Audit Advisory Committee	Annual activity report presented to the Executive Director and submitted to the Executive Board as an annex to the annual report of the Internal Audit and Investigations Group	UNOPS management response publicly available on the website of the Executive Board
Ethics Office	Annual activity report presented to the Executive Director and submitted to the Executive Board	UNOPS management response publicly available on the website of the Executive Board
Advisory Committee on Administrative and Budgetary Questions	Report on UNOPS budget estimates for each biennium submitted to the General Assembly and the Executive Board	-
Joint Inspection Unit	Reports covering system-wide issues presented to the General Assembly – Reviews of management and administration of the Office presented to the Executive Board	Report on the implementation of the recommendations of the Joint Inspection Unit submitted as an annex to the report of the Executive Director to the Executive Board

Source: Prepared by JIU.

b) Implementation of outstanding oversight recommendations

Oversight body	Reported year	Closed
Internal Audit and Investigations Group	2012	93%
	2013	93%
	2014	97%
	2015	96%
	2016	93%
	2017	92%
Source: Internal Audit and Investigations Group activity reports (2012–2017). Percentage represents the overall implementation of all outstanding recommendations at the end of each year.		
Board of Auditors	2012	39%
	2013	31%
	2014	51%
	2015	38%
	2016	Not available
Source: Reports of the Board of Auditors on UNOPS Financial Statements (2012–2016). Percentage represents the overall implementation of all outstanding recommendations at the end of each year.		
Joint Inspection Unit	2012	100%
	2013	91%
	2014	75%
	2015	42%
	2016	68%
Source: Annex 4 to the Annual report of the Executive Director to the Executive Board, 2017. Percentage covers the year in which the recommendations were issued.		

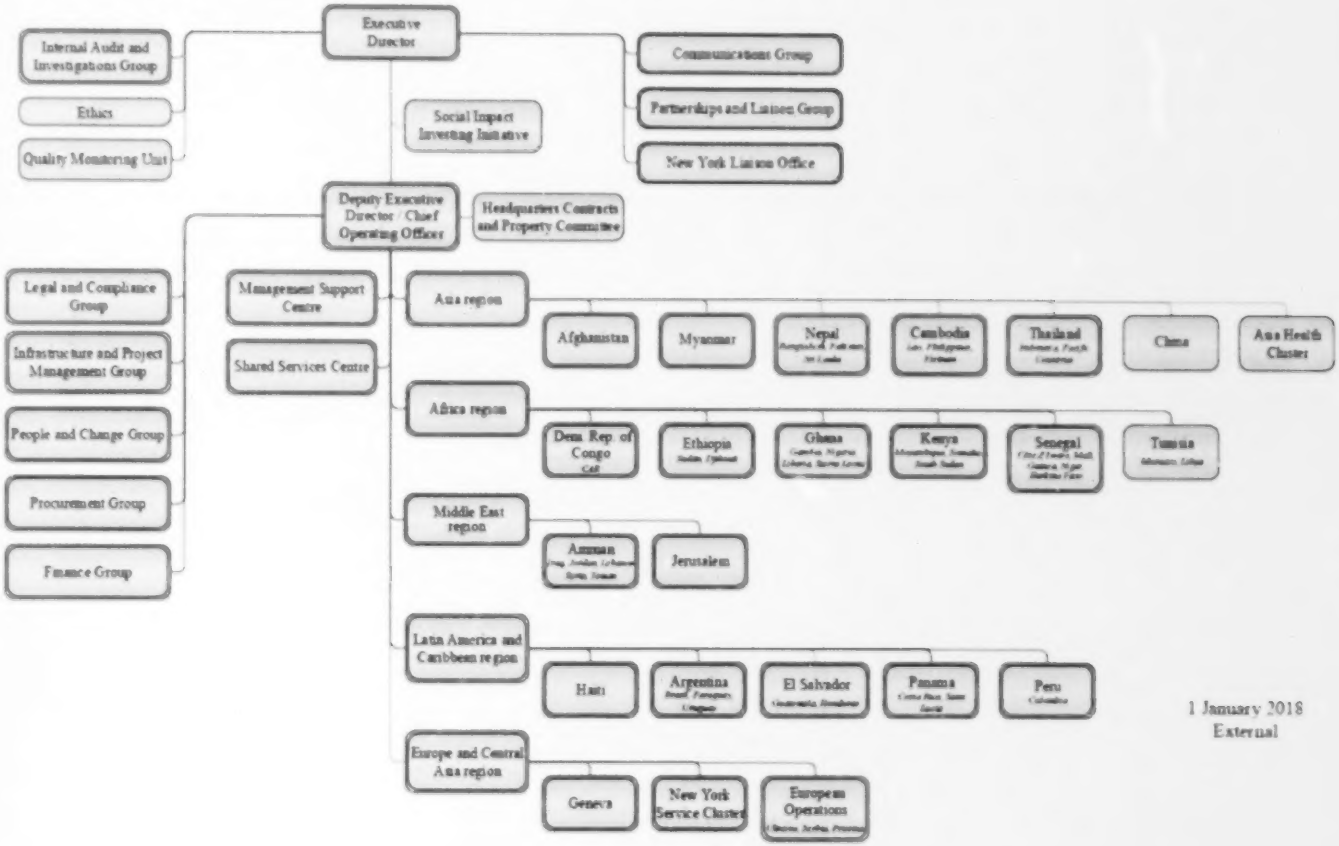
c) Internal Audit and Investigations Group outputs and resources

	2013	2014	2015	2016	2017
Internal audits	**8**	**8**	**7**	**10**	**14**
Thematic	4	2	3	3	7
Location	4	6	4	7	7
Asia Region	1	2	..	1	2
Africa Region	1	3	1	1	4
Middle East Region	1	..	2	2	..
Latin America and Caribbean Region	1	1	..	2	1
European and Central Asia Region	..	..	1	1	..
Project audits	**13**	**14**	**22**	**27**	**31**
No location mentioned	..	..	7	14	9
Asia Region	4	6	4	1	5
Africa Region	4	5	5	5	5
Middle East Region	4	1	2	3	6
Latin America and Caribbean Region	..	2	1	1	3
Europe and Central Asia Region	1	..	3	3	3
Total	**21**	**22**	**29**	**37**	**45**
Budgeted resources (in millions of United States dollars)	2.2	2.3	2.6	2.9	3.0
Annual variation of resources (percentage)	n/a	+ 4.5%	+ 13%	+ 11.5%	+ 3.4%
Budgeted personnel (in numbers)	10	11	13	16	17
Project-related expenditures (in millions of United States dollars)	1.20	1.29	1.45	1.45	1.84
Annual variation of project-related expenditures	..	+ 7.5%	+ 12.4%	+ 0%	+ 26.8%

Source: Prepared by JIU on the basis of the Internal Audit and Investigations Group annual activity reports and information provided by UNOPS.

Annex III: Organizational structure

(a) Global structure



Source: UNOPS global structure, effective 1 January 2018 (reproduced as received from UNOPS).

(b) Regional structure

Asia Region	Africa Region	Europe and Central Asia Region	Latin America and Caribbean Region	Middle East Region
Personnel				
Regional Director	Regional Director	Regional Director	Regional Director	Regional Director
3 senior advisers	1 senior adviser			
1 senior manager			1 global lead 1 assessor 1 coordinator	1 head
	1 adviser	1 adviser	2 advisers	
3 specialists/analysts	1 analyst		6 specialists/analysts	1 specialist
4 support staff	2 support staff	1 support staff	1 support staff	
Operational activities				
7 offices	6 offices	6 offices	4 offices	2 offices
16 countries of delivery	40 countries of delivery	16 countries of delivery	21 countries of delivery	12 countries of delivery
224 projects [a]	292 projects [a]	212 projects [a]	170 projects [a]	145 projects [a]
Delivery: $420 million [b]	Delivery: $243 million [b]	Delivery: $641 million [b]	Delivery: $397 million [b]	Delivery: $109 million [b]
Net revenue: $17 million [b]	Net revenue: $16 million [b]	Net revenue: $31 million [b]	Net revenue: $14 million [b]	Net revenue: $8 million [b]

[a] April 2018.
[b] For 2017.
Note: UNOPS management has indicated that the varying staffing of the regional offices is a function of their portfolios, which differ in both volume and complexity.
Source: UNOPS personnel table (July 2017), UNOPS intranet and open data platform https://data.unops.org and information provided by UNOPS.

Annex IV: Key financial figures (millions of United States dollars)

	Definition	2014	2015	2016	2017
Delivery (as a principal and as an agent)	Value of net services delivered by UNOPS and total volume of resources handled by UNOPS (includes projects delivered on behalf of UNOPS, as a principal, and on behalf of other organizations, as an agent)	1 200.0	1 400.0	1 446.0	1 840.0
Total revenue	Actual income attributable to UNOPS acting as a principal (revenue from project activities plus miscellaneous revenue)	655.2	683.3	789.9	834.0
Net revenue from project activities	Total project-related revenue less total project related expenses	66.3	87.2	86.7	89.7
Surplus from services	Total revenue less total expenses (total project expenses plus administrative costs)	7.1	11.8	20.0	18.1
Net finance income	Finance income received on investments	2.8	2.6	11.2	10.8
Net surplus	Total surplus from services plus net finance income	9.9	14.3	31.2	29.0
Operational reserve	The operational reserve provides for temporary deficits, fluctuations or shortfalls in resources, uneven cash flows, unplanned increases in expenses and costs, or any other contingencies, and ensures continuity in the implementation of projects undertaken by UNOPS. It includes surplus from current and previous years.	78.5	99.2	131.6	158.6

Source: Prepared by JIU on the basis of definitions available in the report of the Board of Auditors (A/72/5/Add.11) and information provided by UNOPS for the year 2017.

Annex V: Human resources figures

a) Gender balance in the workforce as a whole (December 2017)

	Whole workforce				Headquarters				Away from headquarters			
	Male		Female		Male		Female		Male		Female	
Staff	493	64%	273	36%	55	61%	35	39%	438	65%	238	35%
Individual contractors	2 081	61%	1 332	39%	159	49%	163	51%	1 922	62%	1 169	38%
Total	**2 574**	62%	**1 605**	38%	**214**	52%	**198**	48%	**2 360**	63%	**1 407**	37%

b) Gender balance among internationally recruited personnel (2017)

	Whole workforce				Headquarters				Away from headquarters			
	Male		Female		Male		Female		Male		Female	
Directors	32	76%	10	24%	8	80%	2	20%	24	75%	8	25%
Professionals	303	66%	159	34%	35	64%	20	36%	268	66%	139	34%
International individual contractors	503	60%	332	40%	87	54%	74	46%	416	62%	258	38%
Total	**838**	63%	**501**	37%	**130**	58%	**96**	42%	**708**	64%	**405**	36%

Source: Prepared by JIU on the basis of information provided by UNOPS. The term "away from headquarters" refers to the total workforce minus headquarters-based personnel. Headquarters units located outside Copenhagen (Bangkok) have been included in the headquarters workforce category. Remaining personnel (2 840 people who do not figure in the table), include local individual contractors, general service staff, national officers, Assistant Secretaries-General and Under-Secretaries-General.

c) Diversity indicators (2017)

Diversity indicators	Baseline	Target	Target date
Gender parity targets set by the United Nations system-wide strategy	25%–44%	47%–53%	2021 (P-1 and P-2) 2026 (other)
Equal gender representation targets for UNOPS personnel, irrespective of level	38%	47%–53%	End 2019
Increase the representation of women at senior level among UNOPS international personnel	24%–51%	47%–53%	2021 (P-1 to P-3, IICA-1 and IICA-2)[a] 2026 (other)
Progress to arrive at a 50-50 share of global South representation in UNOPS international positions	45% (2018)	50%	2017
Progress towards a balance of 65 per cent share of national officers in UNOPS international professional positions	..	65%	2017

[a] IICA - international individual contractor agreement.

Source: Prepared by JIU on the basis of information provided by UNOPS.

d) Benefits and entitlements of individual contractors

	IICAs	LICAs (support)	LICAs (specialist)
Leave			
Annual leave	X [a]	X [a]	X [a]
Sick leave (certified/uncertified)	X [a]	X [a]	X [a]
Overtime	-	X [a]	-
United Nations holidays and weekends	X	X	X
Maternity/paternity leave	X [b]	X [b]	X [b]
Hardship leave/rest and recuperation	X [b]	-	-
Jury duty, other appearances in court and military service	X	X	X
Pension			
Pension (United Nations Joint Staff Pension Fund)	-	-	-
Provident Fund	voluntary	X	X
Health and insurance			
Health/medical insurance – individual	-	X [a] (individual)	X [a] (individual)
Health/medical insurance - dependents	-	optional (premium)	optional (premium)
Death and permanent disability insurance	-	X [a]	X [a]
Service incurred injury, illness and death insurance	X	X	X
Malicious acts insurance policy	X	X	X
Emergency medical evacuation	X	X	X
Other	IICA/LICA (support and specialist) may be considered experts on mission		
Granting of United Nations laissez-passer	-	-	-
Covered in case of medical evacuation	- [a]	X [b]	X [b]

Source: UNOPS Intranet and JIU/REP/2014/8.

[a] For contracts ≥ 3 months.

[b] For contracts ≥ 6 months.

Notes: It is the responsibility of the international individual contractor agreement holder to obtain appropriate insurance (medical and others considered necessary, such as medical evacuation). In certain circumstances, however, UNOPS may decide to evacuate if the contractor's medical evacuation provider fails to act.

The local individual contractor medical plan covers medical evacuation. If the service provider is unable to evacuate, UNOPS may decide to evacuate contractor.

Annex VI: Overview of service lines and service types

	Implementation	Advisory	Transactional
Infrastructure	**Definition:** providing services relating to the design, planning, construction, operation and/or maintenance of infrastructure assets to a partner, where UNOPS is liable for the decisions and the delivery of associated outputs and services. **Example:** constructing, rehabilitating, demolishing or maintaining a building.	**Definition:** providing substantial advice, technical assistance or training to a partner in relation to infrastructure, without UNOPS making any final decisions on, or being liable for, the planning, design, construction, rehabilitation, operation and/or maintenance of infrastructure assets. **Example:** reviewing a construction design.	N/A (Related transactional services fall into one or more of the categories below).
Procurement	**Definition:** providing services relating to the procurement and/or contract management of goods or services to a partner, where UNOPS is liable for the decisions and the delivery of associated outputs and services. **Examples:** procuring, storing and/or distributing goods or services not preselected by a partner.	**Definition:** providing substantial advice, technical assistance or training to a partner in relation to the procurement of goods or services, without UNOPS making a final decision on, or being liable for, the selection of the provider of those goods or services, or the signing of any contracts. **Example:** conducting a market assessment.	**Definition:** providing services relating to the procurement and/or payment of goods or services, where UNOPS is responsible for the correct processing of the transactions but does not provide substantial advice, or makes a final decision on what types of goods or services are required. **Example:** procuring and paying for goods or services specified by a partner.
Project management	**Definition:** providing services relating to the establishment and/or operation of programmes and/or projects on behalf of a partner, where UNOPS is liable for the decisions and the delivery of associated outputs and services. **Example:** operating a project management office.	**Definition:** providing substantial advice, technical assistance or training to a partner in relation to project or programme management, without UNOPS making any final decisions on, or being liable for, the management of the partner's project(s) or programme(s). **Example:** carrying out a project management capacity assessment.	N/A (Related transactional services fall into one or more of the categories below).

	Implementation	Advisory	Transactional
Human resources management	**Definition:** providing services relating to the recruitment and/or administration of personnel to a partner or hosted entity, where UNOPS is responsible for the decisions and the delivery of associated outputs and services. **Example:** recruiting and administering personnel on behalf of a hosted entity, including leave monitoring, performance management, security etc.	**Definition:** providing substantial advice to a partner in the recruitment and/or administration of personnel on behalf of a partner, without UNOPS making a final decision on, or being responsible for, the recruitment process or administration. **Example:** advising on selection methods, and reviewing terms of reference.	**Definition:** providing services relating to the recruitment of personnel and/or paying salaries on behalf of a partner, where UNOPS is liable for the correct processing of the transactions, but does not provide substantive advice or makes final decisions on whom to recruit or how to pay. **Example:** issuing contracts to personnel pre-selected and supervised by a partner.
Financial management	**Definition:** providing services relating to the selection of grantees,[a] as well as the receipt, disbursement and/or management of funds or grants on behalf of partners, where UNOPS is responsible for the decisions and the delivery of associated outputs and services. **Example**: participating in the selection of a grantee, signing the grant and making payments to the grantee, monitoring and verifying the use of funds.	**Definition:** providing substantial advice to partners in relation to the selection of grantees, as well as the receipt and disbursement of funds or grants, without deciding on, or being responsible for, the grantee selection process and/or the disbursement, management or use of funds or grants. **Example:** advising on grantee selection method.	**Definition:** providing services relating to the receipt and disbursements of funds or grants (including grants in kind) on behalf of a partner, where UNOPS is responsible for the correct processing of the transactions but does not provide substantial advice and is not responsible for how such funds or grants are used, or for deciding whether they should be disbursed. **Example:** making a payment to a grantee at the request of a partner.
Other management or shared services	**Definition:** providing services relating to other management support services that do not fall under financial management, human resources management, procurement, infrastructure or project management, where UNOPS is responsible for the decisions and the delivery of associated outputs and services. **Example:** providing communications and outreach or ICT services.	**Definition:** providing substantial advice to a partner in relation to other management support services that do not fall under financial management, human resources management, procurement, infrastructure or project management, without UNOPS making any final decisions on, or being responsible, for the management of those services. **Example:** N/A (there are currently no outputs mapped to this category).	**Definition:** providing services relating to other management support services that do not fall under financial management, human resources management, procurement, infrastructure or project management, where UNOPS is responsible for the correct processing of the transactions, but does not provide substantive advice, or makes a final decision on what types of goods or services are required. **Example:** N/A (there are currently no outputs mapped to this category).

Source: Information provided by UNOPS.

[a] The term "grantees" refers to recipients of funds as well as to beneficiaries.

Note: For further information on the UNOPS service lines and associated outputs, see annex II to the midterm review of the UNOPS strategic plan, 2014–2017 (DP/OPS/2016/5, annex II, pp. 38–49).

Annex VII: Project-related financial figures

a) Project-related expenditures as principal and as an agent (by service lines)[a] (millions of United States dollars)

Service lines	2015		2016		2017		Change from 2015 to 2017
	Amount	%	Amount	%	Amount	%	
Procurement	409.4	29.4	524.1	36.4	667.3	36.3	+63 %
Infrastructure	315.1	22.6	261.1	18.2	454.4	24.7	+44.2 %
Financial management	374.3	26.8	321.7	22.4	390.2	21.2	+4.2 %
Human resources management	173.2	12.4	234.1	16.3	254.4	13.4	+41.7 %
Project management	82.5	5.9	85.6	6	73.5	4	-10.9 %
Other management and shared services	40.1	2.9	11.8	0.8	7.3	0.4	-81.8 %
Total	**1 394.6**	**100**	**1 438.4**	**100**	**1 838.1**	**100**	**+31.8 %**

b) Net revenue from project-related activities as principal (by service lines) (millions of United States dollars)

Service lines	2015		2016		2017		Change from 2015 to 2017
	Amount	%	Amount	%	Amount	%	
Procurement	21.5	28.8	26.1	31.8	30.0	33.8	+40%
Infrastructure	19.7	26.4	19	23.2	21.4	24.1	+8.9%
Financial management	14.3	19.2	14.9	18.2	16.1	18.1	+12.3%
Human resources management	10.5	14.1	14.4	17.6	16	18	+52.8%
Project management	5.6	7.5	6.6	8.1	4.9	5.5	-12.1%
Other management and shared services	2.9	3.8	0.8	1	0.4	0.5	-84.7%
Total	**74.4**	**100**	**81.9**	**100**	**88.9**	**100**	**+19.5%**

[a] Further details on UNOPS service lines and outputs can be found in annex II to the midterm review of the UNOPS strategic plan, 2014–2017 (DP/OPS/2016/5).

c) Project-related expenditures as principal and as an agent (by partners) (millions of United States dollars)

Partners	2015		2016		2017		Change from 2015 to 2017
	Amount	%	Amount	%	Amount	%	
Governments	316.9	22.7	351.6	24.4	756.6	41.2	+138.8%
United Nations	541.6	38.8	599	41.6	583.1	31.7	+7.7%
Multilateral institutions	154.4	11.1	164.8	11.5	179.7	9.8	+16.4%
Trust funds	175.5	12.6	139.2	9.7	156.1	8.5	-11.1%
Intergovernmental organizations	56.5	4.1	65.2	4.5	66.6	3.6	+17.9%
International financial institutions	103.4	7.4	52.5	3.6	50.8	2.8	-50.9%
Other <50 million	46.4	3.3	66.2	4.6	45.2	2.5	-2.6%
Total	**1 394.7**	**100.0**	**1 438.5**	**100.0**	**1 838.1**	**100.0**	**+31.8%**

d) Net revenue from project-related activities as principal (by partners) (millions of United States dollars)

Partners	2015		2016		2017		Change from 2015 to 2017
	Amount	%	Amount	%	Amount	%	
United Nations	30.8	41.3	34.3	41.9	34.5	38.8	+12%
Governments	21.7	29.1	25.9	31.6	32.2	36.2	+48.4%
Multilateral institutions	7.4	9.9	9.6	11.7	9.2	10.4	+24.3%
Intergovernmental organizations	3.3	4.4	4.3	5.2	4	4.5	+19.9%
Trust funds	3	4	2.9	3.6	3.4	3.8	+13.3%
International financial institutions	5.6	7.5	3.2	3.9	2.8	3.2	-50%
Other <50 million	2.7	3.6	1.7	2.1	2.8	3.2	+3.7%
Total	**74.5**	**100**	**81.9**	**100.0**	**88.9**	**100.0**	**+19.3%**

e) Project-related expenditures as principal and as an agent (by sectors) (millions of United States dollars)

Sectors	2015		2016		2017		Change from 2015 to 2017
	Amount	%	Amount	%	Amount	%	
Conflict prevention and resolution, peace and security	308.9	22.1	336.3	23.4	369	20.1	+19.5%
Basic health	253.2	18.2	284.6	19.8	350.1	19	+38.3%
Education, level unspecified	3.7	0.3	7.9	0.5	178.5	9.7	+4 724.3%
Emergency Response	85.5	6.1	94.1	6.5	115.5	6.3	+35.1%
General environmental protection	92.4	6.6	99.4	6.9	97.9	5.3	+6%
Health, general	52.3	3.7	51.5	3.6	88.9	4.8	+70%
Other social infrastructure and services	66.6	4.8	28.1	2	79.2	4.3	+18.9%
Developmental food aid and food security assistance [a]	66.4	4.8	59.8	4.2	77	4.2	+16%
Governments and civil society, general	63.8	4.6	73.4	5.1	75.8	4.1	+18.8%
Population policies and reproductive health	60.2	4.3	51.3	3.6	62.5	3.4	+3.8%
Other multisector and Other <$55 million	341.7	24.5	352.2	24.5	343.7	18.7	+0.6%
Total	**1 394.7**	**100**	**1 438.6**	**100**	**1 838.1**	**100**	**+31.8%**

f) Net revenue from project-related activities as principal (by sectors) (millions of United States dollars)

Sectors	2015		2016		2017		Change from 2015 to 2017
	Amount	%	Amount	%	Amount	%	
Conflict prevention and resolution, peace and security	17	22.8	18.8	22.9	20.1	22.6	+18.3%
Basic health	13.6	18.3	13.3	16.2	15.3	17.2	+12.5%
Emergency response	5.3	7.1	6.3	7.7	7.8	8.8	+47.2%
General environmental protection	5.8	7.8	6	7.3	5 7	6.4	-1.7%
Governments and civil society, general	4.4	5.9	6.8	8.3	5.3	6	+20.5%
Transport and storage [a]	6.4	8.5	3.9	4.8	3.9	4.4	-38.5%
Education, level unspecified	0.3	0.4	0.8	1	3.8	4.3	+1 166.6%
Health, general	1.6	2.1	4	4.9	3.7	4.2	+131.3%

Other social infrastructure and services	3.6	4.8	3	3.7	3.5	3.9	-2.8%
Water and sanitation	1.6	2.1	2.9	3.5	3.2	3.6	+100%
Population policies/programmes and reproductive health	1.5	2	2.1	2.6	2.7	3	+80%
Other multisector and Other <$2 million	13.4	18	14	17.1	13.9	15.5	+3%
Total	**74.4**	**100**	**81.9**	**100**	**88.9**	**100**	**+19.3%**

[a] These sectors are different in delivery and revenue.
Source: Prepared by JIU on the basis of information provided by UNOPS.

g) Project-related expenditures, 2015–2017 (by type of country and territory of operation)

	2015		2016		2017		Change from 2015 to 2017
	Amount	%	Amount	%	Amount	%	
Fragile situations [a]	795.1	57.0	746.2	51.9	770.6	41.9	-3.1%
Least developed countries, excluding fragile situations	76.6	5.5	126.1	8.8	180.6	9.8	+135.8%
Landlocked least developed countries and small island developing States, excluding fragile situations and least developed countries	48.7	3.5	19.0	1.3	28.0	1.5	-42.5%
OECD Development Assistance Committee recipients, excluding fragile situations, least developed countries, landlocked least developed countries and small island developing States	245.0	17.6	250.5	17.4	485.6	26.4	+98.2%
Other non-OECD Development Assistance Committee countries	16.0	1.2	23.3	1.6	17.8	1.0	+11.3%
Global delivery from OECD Development Assistance Committee countries [b]	213.2	15.3	273.4	19.0	355.4	19.3	+66.7%
Total	**1 394.7**	**100.0**	**1 438.5**	**100.0**	**1 838.0**	**100.0**	**+31.8%**

Source: Prepared by UNOPS.
[a] Fragile situations are as defined in the World Bank Harmonized list of fragile situations.
[b] In 2015 "global delivery from OECD Development Assistance Committee countries" includes some delivery of "multi-country" projects, which are not assigned to a specific country.

Annex VIII: List of framework agreements

United Nations system partners		
United Nations Human Settlements Programme	Human resources agreement	2017
United Nations Human Settlements Programme	Memorandum of understanding	2017
World Bank	Memorandum of agreement	2016
Office of the United Nations High Commissioner for Refugees	Exchange of letters	2015
International Labour Organization	Memorandum of understanding	2015
United Nations Global Compact	Memorandum of participation	2015
World Health Organization	Memorandum of understanding (under revision)	2015
Secretariat of the United Nations	Memorandum of understanding	2015
United Nations Environment Programme	Memorandum of understanding	2013
United Nations Institute for Training and Research	Memorandum of understanding	2012
United Nations Population Fund	Memorandum of understanding	2012
United Nations Development Programme	Memorandum of understanding	2009
United Nations Office for Disaster Risk Reduction	Memorandum of understanding	2005
United Nations Human Settlements Programme	Memorandum of understanding	2005
Office of the United Nations High Commissioner for Human Rights	Memorandum of understanding	2003
United Nations Office on Drugs and Crime	Memorandum of understanding	2003
Office for the Coordination of Humanitarian Affairs	Memorandum of understanding	2003
United Nations Educational, Scientific and Cultural Organization	Memorandum of understanding	2002
International Telecommunication Union	General operational agreement	2002
World Trade Organization	Memorandum of understanding	2000
Food and Agriculture Organization of the United Nations	Memorandum of understanding	1999
Office of the United Nations High Commissioner for Refugees	General operational agreement (revised in 2015)	1998
UNAIDS	Memorandum of understanding	1996
Other international organizations		
Islamic Development Bank Group	Framework agreement	2018
European Investment Bank	Memorandum of understanding	2016
African Union Commission	Memorandum of understanding	2015
Global Fund to Fight AIDS, Tuberculosis and Malaria	Memorandum of understanding/framework agreement	2015
Water Supply and Sanitation Collaborative Council	Memorandum of understanding	2014
Planning and Coordinating Agency of the New Partnership for Africa's Development	Memorandum of understanding	2013
International Institute for Democracy and Electoral Assistance	Memorandum of understanding	2012
International Renewable Energy Agency	Memorandum of understanding	2010
Chartered Institute of Purchasing and Supply	Memorandum of understanding	2010
International Mine Action Training Centre	Memorandum of understanding	2005
Governments		
Government of Italy	Framework agreement	2018
United States Agency for International Development	Framework agreement	2018
Korea International Cooperation Agency	Memorandum of understanding	2014
European Commission	Financial and administrative framework agreement	2003
Private and academic partners		
We Are the Oceans	Memorandum of understanding	2017
The University of Fraser Valley	Partnership agreement	2017
Massachusetts Institute of Technology	Memorandum of agreement	2016
University of Notre Dame	Partnership agreement	2016
Danish Institute for International Studies	Partnership agreement	2016
Jordan River Foundation	Memorandum of understanding	2016
Funzafe OY	Memorandum of understanding	2016
Harvard Medical School	Collaboration agreement	2016
Oxford University	Partnership agreement	2016
Miyamoto	Partnership agreement	2016
Columbia University	Framework agreement	2016
Accenture	Memorandum of understanding	2016
Boston Consulting Group	Memorandum of understanding	2015
World Vision	Memorandum of understanding	2015
Project Management Institute	Memorandum of understanding	2015
Peace Nexus	Partnership agreement	2015
Philips	Memorandum of understanding	2014
The Obama Foundation	Memorandum of agreement	2014
Inter Press Service	Memorandum of understanding	2013

Source: Prepared by JIU using information provided by UNOPS.

Annex IX: Joint Inspection Unit online surveys

In accordance with its standard practice for management and administrative reviews, the Joint Inspection Unit conducted two surveys addressed to the following audiences: (a) the members of the Executive Board of UNDP, UNFPA and UNOPS (in November 2017); and (b) UNOPS personnel (in February 2018). Each survey combined multiple choice and open-ended questions to elicit suggestions and qualitative input. The personnel survey was available in English, French and Spanish, thereby taking into consideration the geographical distribution of operations. The Executive Board survey did not gather enough responses to be considered in the preparation of the report. In contrast, the personnel survey received a high response rate, which included a set of comments that were used to prepare the report, as appropriate.

Participation in the Joint Inspection Unit online surveys (November 2017 and February 2018)

	Recipients	Respondents	Participation rate
Members of the Executive Board	36	5	13.9%
UNOPS personnel	4 124	1 889	46%

Note: The recipients of the UNOPS personnel survey did not include individuals under internship and volunteer agreements or engaged as individual contractors on a retainer basis.

Participation in the Joint Inspection Unit online survey (by main categories of personnel and location)

	Recipients [a]	Respondents	Participation rate
UNOPS staff members	755	450	60%
Directors and professionals	572	275	48%
General service	183	108	59%
International individual contractors (IICAs)	789	433	55%
Local individual contractors (LICA specialist)	651	411	63%
Local individual contractors (LICA support)	1 722	637	37%
Personnel at headquarters (Copenhagen)	310	284	92%
Personnel away from headquarters	3 607	1 605	44%

[a] The participation rate for each category is estimated using the July 2017 personnel figures.

Survey of personnel

The survey yielded an overall response rate of 46 per cent. The categories of respondents mirror the structure of the UNOPS workforce: 24 per cent of the participants were staff, while individual contractor agreement holders and others accounted for 76 per cent. The information disaggregated above shows good participation within each category of the workforce and a remarkably high participation rate at headquarters.

The responses were generally positive regarding the various aspects of management covered: executive management, human resources management, staff-management relations, oversight, etc. It is worth noting, however, that headquarters personnel are often more critical in their responses and comments, for example regarding management practices, change management during restructuring and human resources management (particularly contractual modalities).

An in-depth content analysis of the wide range of comments and suggestions shows that they relate primarily to human resources management (career development, contractual modalities, performance management). As UNOPS is decentralized, the relationships between headquarters and field locations have given rise to some concerns, which were expressed by respondents. Management practices, the services provided by the Integrated Policy Advice and Support Unit and ethics matters also triggered additional comments. It should be underlined, however, that UNOPS personnel in general gave positive responses regarding working environment and experience, which is quite unusual in personnel surveys of this type.

Main areas covered by the personnel survey

Main area	Topics	Number of issues	
Human resources management	Organizational culture -- Contractual modalities -- Career development -- Performance management -- Personnel qualification -- Administration of justice and personnel representation -- Working conditions	1 103	43%
Other issues	General comments-- Knowledge management -- Cooperation with other United Nations agencies -- Miscellaneous	499	19%
Management	Leadership and senior management -- Management practices	372	14%
Oversight	Internal audit function -- Oversight of field offices -- Investigations -- Ethics -- Protection against retaliation	226	9%
Organizational structure	Restructuring and change management -- Decentralization and relations with headquarters	147	6%
Administrative and support services	Information and communication technology services and oneUNOPS – Services provided by the Bangkok/Global Shared Services Centre – Services provided by the Integrated Policy Advice and Support Unit	136	5%
Financial framework	Business model -- Financial resources -- Financial management -- Pricing policy and cost recovery model	49	2%
Legal framework	Governance arrangements -- Legislative framework	36	1%

Questionnaire to directors and heads of regional or (multi-)country offices and clusters (January 2018)

In January 2018, a questionnaire was circulated among all directors and heads of UNOPS offices away from headquarters to collect input from a field perspective. The number of responses (22 out of 30 entities) and the detailed nature of the information submitted showed a high degree of interest in contributing to this review.

The managers provided a coherent vision and analysis of the strengths and weaknesses of the various elements of the Office, with a few divergent views. UNOPS rules, procedures and management practices were considered satisfactory. Processes regarding the delegation of authority and accountability, the procedures for setting and monitoring objectives, and the risk management framework were almost unanimously considered to be adequate. In the view of the respondents, challenges in the field related to tight resources, lack of transparency and consistency in pricing policy, and the relative absence of a long-term vision coming from headquarters. Some directors raised concerns about processes not being properly adapted to realities in the field. Coordination with headquarters was seen as an area requiring further improvement to strengthen support for field offices.

Annex X: Overview of actions to be taken by participating organizations on the recommendations of the Joint Inspection Unit JIU/REP/2018/3

		Intended impact	United Nations, its funds and programmes															Specialized agencies and IAEA											
			CEB	United Nations*	UNAIDS	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN-Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO	WMO
Report	For action		☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
	For information		☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☐	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
Recommendation 1		f													I															
Recommendation 2		f													E															
Recommendation 3		i													I															

Legend: I.: Recommendation for decision by legislative organ E: Recommendation for action by executive head

☐ Recommendation does not require action by this organization

Intended impact: **a:** enhanced transparency and accountability **b:** dissemination of good/best practices **c:** enhanced coordination and cooperation **d:** strengthened coherence and harmonization **e:** enhanced control and compliance **f:** enhanced effectiveness **g:** significant financial savings **h:** enhanced efficiency **i:** other.

* As listed in ST/SGB/2015/3.